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ABSTRACT

This report discusses the Office of Education's process for establishing the eligibility of schools for participation in federal student assistance programs. Emphasis is placed on the questionable practices that the General Accounting Office found in the institutions of higher education and the proprietary schools examined, and on the role of accreditation agencies in the eligibility determination process. The need for clarification of the role and responsibilities of states, accrediting associations, and the federal government in their oversight of schools' activities is covered. A list of conclusions and recommendations resulting from the study is included. (Author/IRT)

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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

U.S. DEPARTMENT OF HEALTH
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What Assurance Does Office Of Education's Eligibility Process Provide?

The Office of Education's process for establishing school eligibility to apply for participation in Federal aid programs does not assure that consumer and Federal interests are being protected. Weaknesses were identified in States, Federal Government, and accrediting associations oversight of schools. This report discusses the need to increase State and Federal efforts to address potential consumer abuses in education and to improve the Office of Education's process for recognizing accrediting associations.

In addition, the Congress needs to clarify what the Office of Education can or should require of accrediting associations in the eligibility process.

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HRD-78-120
JANUARY 17, 1979

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-164031(1)

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the Office of Education's process for establishing school eligibility to apply for participation in Federal assistance programs. It discusses the need for clarifying the roles and responsibilities of States, accrediting associations, and the Federal Government in their oversight of schools' activities.

The report also discusses the need to increase State and Federal efforts to address potential consumer abuses in education and to improve the Office of Education's process for recognizing accrediting associations. In addition, the report discusses the need for the Congress to clarify through legislation what the Office of Education can and should require of accrediting associations in the Office of Education's school eligibility process. Also noted is the need for the Congress to enact legislation better defining a student's good standing and satisfactory progress.

Because of abuses at schools participating in Federal assistance programs, we examined the Office of Education's school eligibility process to determine what assurances it provided to students and the Government.

Our review was made pursuant to the Budget and Accounting Act of 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget, the Secretary of Health, Education, and Welfare, and to the Governors of the States, the respective accrediting associations, and the schools which were included in the review.

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

WHAT ASSURANCE DOES OFFICE OF EDUCATION'S ELIGIBILITY PROCESS PROVIDE?

D I G E S T

The process for determining which post-secondary schools are eligible to apply to participate in the Office of Education's student loan and grant programs has not precluded schools from engaging in potentially abusive practices to attract and retain students receiving such assistance. GAO found one or more potentially abusive practices at each of the 16 schools visited during its review. (See p. 23.) And numerous studies, including some funded by groups other than the Office of Education, pointed out similar potentially abusive practices.

ELIGIBILITY PROCESS DID NOT PROTECT STUDENT AND GOVERNMENT INTERESTS

The Office of Education's eligibility process has relied heavily on private accrediting associations 1/ and, to a lesser degree, State authorities to guard against potential education consumer abuses, but neither the States nor the accrediting associations were doing enough to warrant such reliance.

Many States lacked the authority and resources to do the job and, like the Office of Education, often relied on accrediting associations to do it. (See p. 46.) But accrediting associations, which are private and do not

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1/Accreditation is either institutional (covers all programs of an entire school) or specialized (covers only special programs or areas of a school). Institutional accreditation was emphasized in the General Acccunting Office's (GAO's) review because it establishes eligibility even if a school's programs are not accredited by a specialized accrediting agency and is relied upon more frequently to establish eligibility.

receive direct Federal support, do not consider education consumer protection to be an essential part of the accreditation process. (See pp. 36 and 42 to 45.) Accrediting associations differ markedly from the Office of Education's view that the purpose of accreditation--that is, assuring educational quality--should include guarding against the types of potential consumer abuses identified in GAO's review. (See pp. 8, 9, and 42 to 45.)

The involvement of States and private accrediting associations in the eligibility process results from Federal law, which provides that a school is eligible to apply to participate in one or more Office of Education programs if the school

--is authorized by the State to operate,

--is accredited by an accrediting association that is recognized by the Office of Education, and

--complies with Federal laws and regulations.

However, differences exist among the oversight parties about what their roles are or should be in the eligibility process.

About $8.4 billion was provided from 1972 to 1976 to students attending postsecondary schools that were determined to be eligible by the Office of Education. About 8,700 schools have been determined eligible.

QUESTIONABLE PRACTICES AT ELIGIBLE SCHOOLS

Potential abusive practices at the schools visited by GAO included:

--Questionable admission and grading policies. (See pp. 24 to 28.)

--False or misleading advertising. (See pp. 29 to 32.)

--Lack of information for students or prospective students on attrition and graduate placements. (See pp. 29 and 30.)

--Little or no refunds of tuition and dormitory charges to students who withdrew before or soon after the school term began. (See pp. 32 to 34.)

--Failure to offer listed courses. (See pp. 34 and 35.)

--Use of inadequately trained teachers. (See p. 35.)

GAO's review did not deal directly with the quality of education at participating schools, but GAO believes that some of the potentially abusive practices could affect quality.

The 1976 Education Amendments gave the Office of Education the authority to address many of the consumer-related issues GAO found at the schools visited. As of October 1978 regulations covering some of these issues had been established, and others were under development. (See pp. 54 and 55.)

RECOMMENDATIONS

GAO recommends that the Congress:

--Clarify through legislation what can or should be required of accrediting associations in the school eligibility process before the accrediting associations can be recognized.

--Amend several sections of the Higher Education Act of 1965 to require the Commissioner of Education to develop regulations which define more specifically "good standing" and "satisfactory progress" to insure that participating students and schools are not abusing Federal financial aid.

GAO has made several recommendations to the Secretary of Health, Education, and Welfare about directing the Commissioner of Education

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to take several actions to guard against potential abuses of the student assistance programs. The general effect of the recommendations are to:

--Resolve the fundamental differences in views on the roles of the Office of Education, States, and accrediting associations in the eligibility process. (See p. 13.)

--Improve public awareness of the accreditation process and what can and should be expected of it. (See p. 13.)

--Improve the Office of Education's evaluation of accrediting associations in approving their petitions for recognition. (See p. 13.)

--Emphasize the use of the authority in the Education Amendments of 1976 to deal with the potential abuses covered by that authority. (See p. 13.)

--Insure that schools (1) have admission policies which consider student potential to benefit, (2) provide students who enroll in programs preparing them for gainful employment with information on how successful program graduates have been in obtaining jobs or in obtaining licenses or other documents needed to obtain jobs, and (3) have fair and equitable refund policies for withdrawing students. (See p. 14.)

--Upgrade States' processes for authorizing schools to operate. (See pp. 14 and 15.)

--Establish a system for the Office of Education, States, and accrediting associations to share useful information on schools. (See p. 15.)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE AND ACCREDITING ASSOCIATIONS' COMMENTS

The Department of Health, Education, and Welfare, a national association of accrediting agencies (commenting on behalf of the

institutional accrediting agencies covered in this report) and several individual accrediting associations expressed concerns that there were limitations on the conclusions that could be reached from GAO's study because of its scope. However, the Department of Health, Education, and Welfare concurred, in essence, with most of GAO's recommendations, and the national association stated that the association in no way wished to diminish the vigor of the recommendations to the Department of Health, Education, and Welfare. (See pp. 15 to 22.)

Recommendations with which the Department of Health, Education, and Welfare did not agree were related to the system for recognizing accrediting associations (see p. 19) and the States' practices of exempting accredited schools from States' review. (See p. 22.)

The Department of Health, Education, and Welfare and the national association of postsecondary accrediting associations indicated that some of the questionable school practices should be dealt with by program administrators at the individual program level, rather than in the initial determinations of eligibility to apply to participate in the programs.

We recognize that HEW must necessarily act within its legal authority in insuring schools are not engaging in potentially abusive practices. However, HEW should exercise its authority to the fullest extent possible; whether this authority can be exercised at the initial determination of eligibility or is limited to the program level is for HEW to decide. Some of the issues covered by GAO's recommendations are being or could be dealt with at the program level. In the past, however, program requirements, for the most part, were not related to the potentially abusive practices identified by GAO.

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ABBREVIATIONS

BEOG	Basic Educational Opportunity Grant Program
DEAE	Division of Eligibility and Agency Evaluation
HEW	Department of Health, Education, and Welfare
FTC	Federal Trade Commission
GAO	General Accounting Office
GSL	Guaranteed Student Loan Program
OE	Office of Education
VA	Veterans Administration

CHAPTER 1

INTRODUCTION

Federal educational assistance programs have helped many Americans obtain a postsecondary education. For a student to obtain Federal educational assistance, the school in which the student is enrolled must be eligible to participate in Federal educational programs.

Until the early 1960s, Federal educational assistance was primarily for veterans. However, over the past decade, substantial amounts of Federal funds have allowed others to obtain a higher education. From 1972 to 1976, about $8.4 billion has been provided for students who are attending schools of higher education that have been declared "eligible" by the Department of Health, Education, and Welfare's Office of Education (OE). During this same period, there has been a corresponding increase in the number of school and student abuses of these new Federal programs. (See app. III for a partial listing of programs which rely partly on the eligibility process.) Also, "consumerism" has resulted in an increased awareness on the part of State and Federal agencies for the need to protect the educational consumer, that is, the student.

The media has reported abusive practices by both proprietary vocational schools and nonprofit schools. A July 1975 Federal Interagency Committee on Education report, "Toward a Federal Strategy for Protection of the Consumer of Education," stated:

> "Federal agencies have become increasingly aware of the abuses of education consumers resulting from unethical operations of some educational institutions. In post secondary education, a number of common malpractices have been identified. They are found in public, private nonprofit, and proprietary institutions."

In 1974 a congressional committee held hearings to determine the nature and extent of consumer abuse problems in proprietary vocational education. 1/ From 1974 to 1976, the Federal Trade Commission (FTC) conducted hearings in

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1/"Reducing Abuses in Proprietary Vocational Education," December 30, 1974, Committee on Government Operations, House of Representatives.

six cities throughout the country concerning a proposed trade rule for proprietary vocational schools. (See pp. 56 and 57.) OE has sponsored various studies and held conferences for State and other officials. The results of these and other activities have raised serious questions concerning the practices of schools participating in Federal educational programs.

Because of such abuses at schools participating in Federal assistance programs, we examined OE's school eligibility process to determine what assurances it provided to students and the Government.

SCHOOL ELIGIBILITY FOR FEDERAL PROGRAMS

To become eligible to participate in the major OE student assistance programs (Guaranteed Student Loan (GSL) Program, Basic Educational Opportunity Grants Program, National Direct Student Loan Program, and College Work-Study Program), and other OE programs, schools must meet certain basic legislative requirements set forth in titles IV and/or XII of the Higher Education Act of 1965, as amended. These requirements, defining different types of schools (institutions of higher education, vocational schools, etc.) as being eligible, generally cover such matters as admissions policy, type and length of program offered, the school's accredited status or an exception thereto, and whether the school is legally authorized within a State to provide a postsecondary educational program. (20 U.S.C. 1085(b), (c); 20 U.S.C. 1088(b)(3); 20 U.S.C. 1141(a).)

Within OE, the Division of Eligibility and Agency Evaluation uses the eligibility requirements to determine the OE educational assistance programs for which a school is eligible to apply. Upon such determination, a school has to apply to the individual OE aid programs, where further programmatic information or requisites are required before the right to participate is granted. The latter generally covers financial and administrative requirements.

The triad relationship

The Federal eligibility process generally involves three parties in determining school eligibility--Federal agencies, State agencies, and private voluntary accrediting associations--all of which exercise oversight of schools.

State authorization

One of the eligibility requirements for school participation in OE aid programs is that a school be authorized by the State in which it operates. State authorization is sometimes referred to as licensing, approval, certification, or chartering. State laws vary significantly in school requirements. Some require only that the school be chartered. This may simply involve the incorporation of the school. Other States are more stringent in their laws and regulations. One State included in our review requires that (1) vocational schools provide pro rata refunds to withdrawing students, (2) consumer information packages be provided to students, and (3) samples of advertising be approved before ads are placed; the State also provides for regular visits by State officials to insure compliance with State regulations. Also, States generally treat schools offering degrees differently than schools not offering degrees. Some also differentiate between public, private nonprofit, and profitmaking schools, and divide oversight for these schools among several State agencies.

Accreditation and its alternatives

Another of the eligibility requirements for school participation in OE aid programs is accreditation by an accrediting association recognized by the Commissioner of Education. 1/ Other Federal agencies also rely on accreditation as a basis for eligibility for Federal funds; these include the Veterans Administration and the Social Security Administration. (See app. III.) Though they receive no direct Federal support, the Federal Government has relied heavily upon accrediting associations' determinations of quality of training as one basis of school eligibility to apply for financial aid. The practice of accreditation arose in the private sector around the turn of the century in response to the need to upgrade educational quality and to establish educational definitions and standards. It sought to cover a need that is fulfilled in many other countries by education ministries or other centralized authorities. School autonomy in education and the varying degrees of State control over schools also contributed to this need.

Although OE has dealt with accrediting associations throughout much of its history, it was not until the

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1/For alternatives to this requirement, see pp. 5 and 6.

enactment of the Veterans' Readjustment Assistance Act of 1952 (38 U.S.C. 1653) that the Commissioner of Education was required by legislation to "* * * publish a list of nationally recognized accrediting agencies and associations which he determines to be a reliable authority as to the quality of training offered by an educational institution * * *." Presently, Federal law refers to the Commissioner of Education, in 25 different instances, publishing a list of or approving nationally recognized accrediting associations. (See app. V for a listing of the respective U.S. Code citations.) In various instances, Federal law cites accreditation by a nationally recognized accrediting association as an eligibility criterion for various Federal aid programs. Reliance on accreditation has been written into Federal laws as a quality control device to help protect the Government's investment in postsecondary education, and as a means of aiding students and others in identifying educationally worthy schools and programs.

Accrediting associations fall into two major categories--institutional and specialized. Institutional accreditation is conducted by associations such as the commissions of the six regional accrediting associations. Institutional accreditation applies to the total institution and signifies that the institution, as a whole, is satisfactorily achieving its objectives. (Institutional accreditation was the category emphasized in our review.)

Specialized accreditation is granted by a number of organizations which are national in scope, rather than regional, and represent a specialized area, such as architecture, business, law, medicine, or teacher education. A majority of the programs evaluated by such associations are located in regionally accredited schools, thereby already meeting the Federal eligibility requirement. Some of the specialized accrediting groups also accredit entire schools, mostly within the private (mostly for profit) vocational sector, such as business, cosmetology, home study, and trade and technical schools.

The accreditation process generally involves an association:

--Establishing membership standards.

--Requiring members to periodically prepare a self study of their objectives, policies, and practices.

--Visiting members to determine if school objectives and association standards are being met.

--Publishing a list of accredited schools or programs.

--Periodically reevaluating accredited schools or programs.

This process takes place outside the jurisdiction of the Federal Government and varies in form and purpose, depending on the accrediting association.

Two important parts of the accreditation process are the school's self study and the team evaluation. Accrediting associations require schools to prepare a self study setting forth school objectives and how they are met. This is a qualitative assessment of a school's educational program, including its strengths and weaknesses, which should assist in improving school operations. Most associations suggest that representatives of various constituencies help prepare the self study. Association self study requirements vary. The majority of associations ask open-ended questions which require detailed narrative responses. Self studies form the basis for association visiting team evaluations of a school. Since most visits are short--about 1 to 3 days--the self study helps team members identify areas needing examination. Association representatives seldom visit schools between accreditation reviews, which occur usually every 5 to 10 years.

The accreditation which established eligibility--primarily institutional accreditation--was emphasized in our review because it fulfilled eligibility requirements regardless of whether a school's programs were accredited by another association. As a result, our observations are based upon the work of three national and four regional institutional associations.

Alternatives to accreditation or satisfactory assurance of a school becoming accredited (generally termed pre-accreditation) as written into Federal law, are available only to public and private nonprofit schools and include:

--The three-letter rule--not less than three accredited schools certify that they admit transferring students and accept course work performed at the nonaccredited school for credit.

--Interim approval--granted to schools which lack access to a nationally recognized accrediting agency.

--State approval--public postsecondary vocational schools approved by a State agency listed by the Commissioner of Education.

Of the some 8,700 schools which the Division of Eligibility and Agency Evaluation, OE, estimates to be eligible, about 160 are eligible under the above alternatives. 1/

The Federal role in accreditation

For an accrediting association to become recognized by the Commissioner of Education, it must meet OE recognition criteria. The criteria have been developed pursuant to the various statutes requiring the Commissioner to publish a list of recognized accrediting agencies. The criteria generally addresses association administrative practices and capabilities, and provide member schools certain safeguards in their relationships with associations. The criteria does not, however, generally address matters such as membership standards, association monitoring practices, and scope and depth of the association visits. Furthermore, the criteria does not require associations to have standards covering admission and grading policies and student attrition.

OE's current recognition criteria detail four areas of compliance--functionality, responsibility, reliability, and autonomy. To demonstrate functionality, an association must show that it has adequate organization and procedures, and that it requires self study and onsite evaluations.

To demonstrate responsibility, an accrediting association must comply with 10 separate criteria, including requirements that it:

1/Also, about 800 are public area vocational schools eligible for GSL program upon the recommendation of an advisory committee appointed by the Commissioner of Education. In addition, about 850 foreign schools have been declared eligible for the purposes of GSL program for U.S. students attending the schools. The basis for the eligibility of the latter is the fact that schools in foreign countries are operated under direct review of ministries of education.

--Serve clearly identified needs.

--Be responsive to the public interest.

--Assure due process in its proceedings.

--Foster ethical practices.

--Encourage experimental and innovative programs.

To show responsiveness to the public, the association must have both complaint-handling procedures and public members in its policy and decisionmaking bodies. To demonstrate reliability, it must have:

--Accepted and regularly reviewed standards.

--Two years of experience as an association.

--Representative policy and decisionmaking bodies, which include the public.

Autonomy is demonstrated by showing that decisions are rendered independently and that the decisionmaking process is free of conflicts of interest. While there is no Federal requirement that accrediting associations be recognized, some have noted that accrediting associations are forced to ask for recognition so that member schools can establish eligibility for Federal aid.

Accrediting associations submit petitions to OE for recognition. The petitions show how the accrediting associations' standards and practices meet OE criteria. These are reviewed by OE staff and, in turn, by the Commissioner's Advisory Committee on Accreditation and Eligibility. Established in 1968, the Committee's assigned functions include (1) review of accrediting agencies' applications for recognition, (2) review of policy relating to recognition, eligibility, and current legislation affecting OE responsibility in regard to accreditation, and (3) development of criteria for recognition. Based on the OE staff's and Committee's recommendations, the Commissioner makes the final determination in the granting of recognition. As of July 28, 1978, there were 70 associations recognized by the Commissioner.

CHAPTER 2

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Our review of practices at 16 postsecondary education schools eligible to participate in OE educational assistance programs showed consumer-related problems and questionable practices. Because we visited only 16 schools, and because 5 of the 16 were known to have consumer-related problems, our findings may not be representative of schools eligible to participate in Federal aid programs. However, our review demonstrated that the Office of Education's eligibility process has not adequately guarded against such practices. A major reason that such practices were occurring is that the three principal parties involved in the eligibility process--OE, the States, and the accrediting associations--are either unwilling and/or unable to monitor school practices or are relying on each other to perform this function. As a result, the interests of the students and the Federal Government are not always being protected.

OE generally relies on the use of accreditation in determining school eligibility. However, fundamental differences exist between OE and the accrediting associations as to the perceived role and responsibility of accreditation within the process. Therefore, a major question arises: "What is the role of accreditation in OE's eligibility process?"

Accreditation's general objectives are: (1) to insure that a school is capable of providing an education of minimum acceptable quality and (2) to encourage increased school quality. Although few would disagree with these definitions, OE maintains that educational quality includes assurances of institutional integrity and ethical practices. Accrediting organizations (as represented by the national association of accrediting agencies) believe that the accrediting process provides such assurances only at a given point in time; i.e., at the time of accreditation. In short, the accrediting community does not believe that its responsibilities include continuously monitoring school activities, especially with regard to compliance with Federal laws and regulations. The national association of accrediting agencies has voiced concern about Federal intrusion into private accreditation and education and claims the Federal Government has chosen to make use of private accreditation for its own purpose and in ways not originally intended by the private sector.

Accrediting association concerns have grown out of OE attempts to address the problem of educational consumer abuse through accrediting associations. Specifically, OE criteria for recognizing an accrediting association includes a requirement that associations demonstrate the "capability and willingness to foster ethical practices among the institutions it accredits * * * including equitable student tuition refunds and nondiscriminatory practices in admissions and employment."

In 1976 OE proposed legislation which would have provided that accrediting associations attest not only to a school's quality of education but also to its probity. Probity has been defined to mean a level of integrity that has been tested and found to be genuine. The national association of accrediting agencies contended that assessment of probity was not the role of accreditation; to attest to a school's probity would mean reviewing an institution's actions other than educational practices and, therefore, outside the role of accreditation. The provision was not enacted.

Therefore, the question of "What is the role of accreditation in OE's eligibility process?" remains unclear.

Previous studies have pointed out that OE places too much reliance on accreditation in the eligibility process. We, too, raised questions about this. While OE has placed heavy emphasis on the use of accreditation in the eligibility process, it is questionable as to what assurances such reliance provides.

First of all, associations have not always ensured that accredited schools adhere to their standards. School self study documents are sometimes incomplete; association visiting teams do not always examine important school activities because teams are only allowed 1 to 3 days to conduct onsite evaluations.

Since as long as 10 years can elapse between accreditation visits, we believe that monitoring is important to ensure that new programs are considered by the association and that schools continue to adhere to membership standards. Association monitoring activities, however, have not been sufficient to accomplish these objectives. Annual reporting requirements have not always resulted in needed information, and there were indications that school-supplied data is not analyzed sufficiently to note instances where violations of standards occur. Also, schools introduced programs which became eligible without association sanction or approval.

Associations' accreditation standards are not consistent and few associations have standards with enough specificity. Accordingly, member schools may conduct their affairs in ways not in the students' or Government's interests, but still meet association standards. Another hindrance to associations identifying and correcting questionable school practices is the lack of enforcement authority. Because of the voluntary nature of accreditation, associations attempt to encourage, rather than require, schools to perform certain functions.

Second, in cases we reviewed, OE's review of associations' requests for recognition was, for the most part, inadequate. Important documentation was not obtained and, during the review, adequate determinations on whether associations fulfill OE expectations were not made. Furthermore, since associations select examples of their reviews to submit, they may not be typical ones. Adequate documentation and a thoroughly independent evaluation is necessary for OE to determine if associations merit recognition as reliable authorities on educational quality.

However, OE mainly relys on accreditation's peer review process as an important part of the eligibility process serving to improve the quality of education. Several studies, however, have stressed the need to improve or strengthen the States' and Federal consumer protection efforts in the eligibility process, rather than relying as heavily on accrediting associations.

Although OE has placed primary reliance on accreditation, the States also have a role and responsibility in the eligibility process. Because States possess the legal authority to permit or deny a school the right to operate within their boundaries, they currently represent the most potentially effective means to ensure that students are protected in their relationships with schools. However, because of inadequate laws and limited resources, reliance on their actions as part of the eligibility process is limited. Many State laws exempt accredited schools from State authorization requirements, which all but eliminate the States as a part of the eligibility system. Limited resources often prevent States from performing a thorough review of school applications and from monitoring schools after authorization. As a result, OE has paid little attention to the State authorization process, especially when compared to the attention devoted to accreditation.

Other OE eligibility requirements that schools must meet before being declared eligible have not been substantive. The requirements, for example, address matters such as admission policies, length of educational program, and type of school (institutions of higher education, vocational school, proprietary institution of higher education, etc.). Each specific OE program also has requirements. However, these requirements generally address administrative matters.

Legislation enacted in late 1976 gave OE new authority to address many consumer-related issues found at the schools we visited. The 1976 Education Amendments provided OE title IV programs with

--the authority to limit, suspend, or terminate a school's eligibility under certain circumstances, including the school's substantial misrepresentation of its program, financial charges, or graduates' employability;

--the authority to require schools participating in financial aid programs to provide students with information on (1) financial assistance available, (2) the costs of attending the institution, (3) the refund policy, (4) student rights and responsibilities, and (5) retention rates; and

--the authority to establish standards of financial responsibility and capability for administering student financial aid funds.

Final regulations for the limit, suspend, or terminate procedure and the school information requirements were both issued on December 23, 1977. Proposed regulations defining "misrepresentation" and establishing financial and administrative standards were published in August 1978.

The 1976 Education Amendments also require that to establish eligibility for Federal financial aid, a student must (1) be making satisfactory progress in the pursued course of study, according to the criteria of the school attended, and (2) owe no refund at the school attended on grants previously received nor be in default on any loan made, insured, or guaranteed by the Commissioner of Education.

However, several of the consumer issues we found at the 16 schools we visited remain to be addressed. Current laws and regulations allow individual schools to define a

student's good standing and satisfactory progress. This allows schools to continue to grant or approve Federal financial aid to students even though the students may have established a pattern of (1) dropping out and then reenrolling or (2) receiving failing grades which are not averaged into grade point averages. Also not addressed are tuition refund policies and providing information on the number of students seeking and obtaining employment, to students enrolled in programs preparing them for gainful employment.

Other Federal agencies have recently taken steps to address questionable school practices in the areas of grading, placement, employment claims, and refunds. The Veterans Administration (VA) has required schools approved for veterans to adhere to certain requirements, such as developing minimum academic standards for veterans and requiring vocational schools to demonstrate 50-percent graduate placement. The Federal Trade Commission has proposed that proprietary schools substantiate employment claims and adopt pro rata refunds.

Despite common interests between the various groups involved in the eligibility process, there has been little information sharing. Likewise, there has been little information sharing with other organizations involved in educational matters or in consumer protection. Failure to share information has resulted in school eligibility decisions being made without available information.

All the above factors have, collectively, contributed to the occurrence of at least one of the following practices at each of the 16 schools we visited and could result in abuse of the students' or Government's interest.

--Questionable admission and grading policies.

--False or misleading advertisements.

--Failure to provide promised services.

--Failure to offer listed courses.

--Use of refund policies resulting in little or no tuition and dormitory refunds.

--Use of inadequately trained teachers.

--Could not provide to students information on attrition or graduate placement rates.

In our opinion, these practices will continue until such time that (1) OE, the States, and the accrediting associations adopt common definitions of their roles and expectations, (2) the States have sufficient authority and staffs, and (3) systematic and consistent means are available to monitor participating schools.

RECOMMENDATIONS TO THE SECRETARY OF HEW

To resolve the fundamental differences as to the roles and responsibilities of the respective parties in the institutional eligibility process, we recommend that the Secretary of HEW direct the Commissioner of Education to continue to meet with representatives of the States and accrediting associations to jointly (1) develop definitions of their respective roles and (2) establish a reasonable timeframe for defining and implementing these roles.

Confusion about accreditation's role in the eligibility process affects the public's perception of what "accreditation" represents. In connection with the above recommendation, we recommend that the Secretary of HEW direct the Commissioner of Education to initiate efforts to increase the public's awareness of the accreditation process and what can and should be expected from it.

In order to determine that an association's performance is of sufficient scope to meet its standards, we believe OE needs to perform a more coordinated and systematic evaluation of association petitions and activities. Accordingly, we recommend that the Secretary of HEW direct the Commissioner of Education, as part of the recognition process, to (1) establish minimum submission requirements, (2) identify sample self studies and visiting team reports to be submitted, (3) conduct observer visits to the school, and (4) obtain information from appropriate groups regarding schools accredited by the petitioning association.

The 1976 amendments provide OE the authority to address many of the questionable school practices we noted during our fieldwork. We recommend that the Secretary of HEW direct the Commissioner of Education to implement forthrightly the provisions of the 1976 Education Amendments. Specifically, this should include the use of the limit, suspend, and termination actions against schools which misrepresent the nature of their educational programs, their charges, or their graduates' employability.

Since Federal educational assistance programs depend largely on a school and its policies, standards defining the school/student relationship should be established. Accordingly, we recommend that the Secretary of HEW direct the Commissioner of Education to issue the following regulations for schools applying for eligibility for OE financial assistance programs which provide for the following:

--Admission policies which enroll students with potential to benefit from training, with exceptions to be justified in writing.

--Universities, colleges, and schools or programs preparing students for gainful employment, provide to students information on the number of students completing the program and who seek employment or obtain employment, a license, or other document legally required to obtain employment in the recognized occupation. 1/

--Fair and equitable refund policies under which a school must refund unearned tuition and fees, and room and board charges to students who do not begin or complete the period of study for which funds were paid.

To upgrade the State authorization process in providing consumer protection, we recommend that the Secretary of HEW direct the Commissioner of Education to:

--Develop the capability to provide technical assistance and leadership to States to upgrade their authorization and monitoring process, including initial authorization and monitoring capabilities.

--Encourage States to adopt strong authorization mechanisms, including the elimination of exemptions for accredited schools from State review.

--Develop minimum standards for matters such as advertising, refund policies, and information disclosure for States to use as a guide.

1/"Recognized occupation" means an occupation title listed in the Dictionary of Occupational Titles published by the U.S. Department of Labor.

--Propose legislation that provides adequate financial support to the States to improve the State authorization process, to the Congress.

Useful information exists within the individual systems of each party in the eligibility process. We believe, as several studies have indicated, that the sharing of information in the eligibility process would improve the process and provide a means to better address the problems discussed in this report. Because of the voluntary nature of private accreditation and restrictions on some Government agencies to release information on schools under investigation, we recommend that the Secretary of HEW direct the Commissioner of Education to conduct a study of what information can and should be shared among the parties involved in the eligibility process. Based on the results of this study, we recommend the Secretary, HEW, direct the Commissioner of Education to establish a formal information sharing system.

RECOMMENDATIONS TO THE CONGRESS

The extent of OE's authority to recognize accrediting associations is unclear because of the autonomy of private voluntary accreditation. Accordingly, the Congress should clarify, through legislation, what OE can or should require of accrediting associations in the school eligibility process.

Also, current law for several of the major student aid programs provides that a student's good standing and satisfactory progress be determined by an individual institution's criteria. We recommend that the Congress amend the Higher Education Act of 1965 to require the Commissioner of Education to develop regulations which define more specifically "good standing" and "satisfactory progress" to insure that students and schools are not abusing the availability of Federal financial aid.

HEW AND ACCREDITING ASSOCIATIONS' COMMENTS AND OUR EVALUATION

In letters dated June 6, 1978, and July 24, 1978, HEW generally agreed with our recommendations. (See app. I.)

The President of the Council on Postsecondary Accreditation, a national association of postsecondary accrediting associations, by letter dated March 23, 1978, provided comments representing a synthesis of the major reactions of the institutional accrediting bodies whose activities are discussed in this report. (See app. II.) We also received

comments directly from some of these associations. Another association included in our review, but not a member of the national association, chose not to comment formally.

General comments

HEW said OE's capacity to address the kinds of issues we raised in the area of accreditation and eligibility for funding was limited by statutory restrictions on the Federal involvement in education and by present resources. HEW said that the allocation of resources for administering the eligibility system had not kept pace with the ever-increasing number of programs, institutions, accrediting bodies, and State approval agencies for which services must be provided. HEW added, however, that OE, in concurring with the substance of many findings, will continue to upgrade the quality of its services.

HEW, the national association, and several individual associations expressed concerns that there are limitations on the conclusions that can be reached from our study because of its scope.

We recognize that, based on the small number of schools reviewed, our findings may not be representative of the typical school participating in Federal aid programs. Our review has demonstrated, however, that OE's eligibility process has not prevented schools from engaging in practices which are not in the students' or Federal Government's interests. The fact that five of the schools we visited were known to be problem schools highlights the inability of the process to deal with known problems. Also, numerous studies, including some funded by groups other than OE, have reported similar school practices and discussed issues similar to those raised by us. Some of these studies are listed in appendix VI.

HEW and the national association of postsecondary accrediting associations indicated that some of the questionable school practices should be dealt with by OE program administrators at the individual program level, rather than by the Division of Eligibility and Agency Evaluation (DEAE) in its initial determinations of the OE programs for which schools are eligible to apply. HEW stated that the Higher Education Act of 1965 did not give OE authority to resolve program administration problems through the eligibility process. The national association said that federally defining such policies as admissions, grading, and refunds for consideration by DEAE in initially determining eligibility to apply

for OE programs would be a serious intrusion into post-secondary educational affairs and that such Federal control was prohibited by the General Education Provisions Act (20 U.S.C. 1232a). That act states in part that

> "No provision of any applicable program shall be construed to authorize any department, agency, officer, or employee of the United States to exercise any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution, school or school system * * *."

We recognize that HEW must necessarily act within its legal authority in insuring schools are not engaging in potentially abusive practices. As indicated on pages 13 and 14, we recommend that HEW exercise its authority under the 1976 Education Amendments to the fullest extent possible, and develop certain additional regulations, to curb such practices. Whether this authority can be exercised at the initial determination of eligibility or is limited to the program level is for HEW to decide. As stated on page 2, OE's individual program requirements in the past dealt with administrative and financial issues which, for the most part, were not related to the potentially abusive school practices covered in our review.

Effective in December 1977, OE established a new Division of Certification and Program Review in the Bureau of Student Financial Assistance to take over the administration of some of the requirements established by the 1976 Education Amendments and certain other program requirements formerly administered separately within each individual OE program. Some of the issues covered by our recommendations are being or could be administered by the new bureau rather than by DEAE. Those include misrepresentation of schools' programs, financial charges, or graduates' employability; disclosure of information on financial assistance available, costs of attendance, refund policy, student rights and responsibilities, and retention rates; administration of student aid funds; establishing fair and equitable refunds; and any new legislation or regulatory requirements defining "good standing" and "satisfactory progress".

Specific comments on our recommendations

HEW provided specific comments on each of our recommendations, concurring, in essence, with most of them. The

national association did not comment on each of the recommendations, but stated that (1) the association in no way wished to diminish the vigor of the recommendations to HEW, (2) OE should use its authority to curb abuses by schools in the administration of student financial aid, and (3) it may be desirable to have more specific requirements for good standing and satisfactory progress in the financial aid programs. The association also commented on the question of refund policies (see p. 21) but did not agree or disagree with our recommendation concerning such policies. HEW comments on each of our recommendations are discussed in the remainder of this section.

HEW officials concurred with our recommendation that OE continue to meet with representatives of the States and accrediting associations to define and implement agreed upon roles. In July 1978, a major national conference was held to discuss the OE-funded "State Oversight in Postsecondary Education" study made by the American Institutes for Research and the issues dealt with in our review. HEW officials told us that, as a result of the July conference, OE will be proposing legislation, as part of the reauthorization of the Higher Education Act, to provide assistance to States to strengthen their role in the eligibility process.

HEW concurred with our recommendation that OE initiate efforts to increase public awareness of the accreditation process and what can and should be expected from it. HEW said that some information on accreditation had been distributed in the past, that hearings were to be held on proposed revisions to the criteria for recognizing accrediting agencies and associations, and that efforts would be made to clarify the role of accreditation in the eligibility system in all OE publications on accreditation and institutional eligibility.

HEW concurred with the thrust of our recommendation that a more coordinated, systematic evaluation be made of associations' petitions and activities by obtaining needed data and adequately analyzing it. However, HEW did not concur with two of the four specific actions we recommended. HEW noted that OE has contracted with the Educational Testing Service to study the recognition criteria and recommend ways to strengthen it and the recognition process. The study is scheduled for completion in June 1979. HEW also stated that OE will devote more resources to the recognition process to strengthen the evaluation and monitoring of recognized agencies. HEW commented as follows concerning the four specific actions we recommended for improving the recognition process.

HEW agreed that minimum submission requirements for petitioning agencies should be established, and stated that within 6 months OE will develop guidelines listing such requirements.

HEW did not agree that OE should identify sample self studies and visiting team reports to be submitted by accrediting associations. HEW said that (1) OE routinely selects the accrediting association's onsite evaluation visits that it wishes to observe and reviews the self studies of the designated institutions, and (2) OE observers attend accrediting association meetings, where numerous self studies are available to the staff observer and an opportunity for random review exists.

The procedures as described by HEW do not assure that a petitioning association submits a sample self study and team visit report for the same school. In addition, the selection of the materials for submission has been left to the individual associations. To make OE's recognition process more objective and independent, we believe OE's identification and selection of these materials are needed and should be provided for in the minimum submission requirements being developed by OE. We believe OE should examine the accreditation process by following, to the extent possible, selected schools through each stage of the process. OE identification of selected visiting team reports, self studies, and other materials (such as annual reports, catalogs, and correspondence) would facilitate this.

HEW agreed with our recommendation to conduct observer visits to schools and stated that fieldwork at schools would be increased in fiscal year 1979.

HEW did not concur with our recommendation to obtain information from appropriate groups regarding schools accredited by the petitioning association. HEW stated that the present procedure for soliciting such information when circumstances merit was sufficient. However, HEW concurred with our general recommendation to study the feasibility of what information should be shared by the parties in the eligibility process. We believe that OE should use such information, as well as pertinent information available from other sources (including that regarding schools visited), when reviewing accrediting association petitions for recognition.

HEW concurred with our recommendation that OE forthrightly implement the authority given in the 1976 Education Amendments to limit, suspend, or terminate the eligibility of schools which misrepresent the nature of their educational programs, the nature of their charges, or the employability of graduates. HEW cited the final regulations for the limit,

suspend, and terminate procedure published on December 23, 1977. Also, an OE official said that some actions have been taken against schools, mostly under the limitation procedure. The December 1977 regulations, however, will not be fully effective until the regulations defining "misrepresentation" and establishing financial and administrative standards are finalized. As of October 25, 1978, these regulations were in the proposal stage.

HEW agreed with our recommendation to issue regulations to provide that school admission policies enroll students who have potential to benefit from training. HEW said that OE was developing regulations which would require schools applying for eligibility to apply for participation to document an acceptable admission policy based either on (1) a standardized test or other measurement instrument or (2) verifiable indicators such as written recommendations from professional educators, counselors, or employers.

As currently written, this regulation would accept high school diplomas or the recognized equivalent as evidence of the ability to benefit. The other verifiable indicators would be used for non-high school graduates. The regulation will not address the situations where students have a high school diploma but still do not exhibit the ability to benefit from training. However, according to HEW officials, the proposed regulation is as much as OE can legally require for the ability to benefit.

HEW agreed with our recommendation to require that schools preparing students for gainful employment must provide information on the number of students completing the program and seeking or obtaining employment, license, or other documents required for employment. HEW said that December 1977 regulations require that schools receiving administrative allowances under title IV Higher Education Act student aid programs must provide students or prospective students with information on the number and percentage of students completing the program in which they are interested or enrolled.

HEW also stated that a method for determining whether an institution prepares students for gainful employment in a recognized occupation is being developed. Schools would be required to maintain data on the number of students who obtained employment in the occupation for which they were trained and, according to discussions with OE officials, demonstrate to the Commissioner of Education that a reasonable percentage of graduates (defined as 75 percent in an October draft of the OE-proposed regulation) were obtaining employment in their trained fields. However, according to

discussions with OE officials, OE does not have the authority to require the schools to provide this information directly to students.

Also, it was noted that this requirement is expected to apply to institutions of higher education (public or nonprofit) programs that are at least a year long and prepare students for a recognized occupation, all programs at proprietary institutions of higher education that are at least 6 months long and prepare students for a recognized occupation, and all vocational schools with at least 300 clock hours of training that prepare students for a recognized occupation. The latter qualify only for the GSL program. Because OE believes statutory authority is lacking, the proposed regulation will not address associate or baccalaureate programs at public or nonprofit institutions of higher education. Also, it will not cover graduate programs at the same schools because of the burdens this requirement would create.

Concerning our recommendation that participating schools be required to have fair and equitable refund policies, HEW stated that it currently requires schools participating in the GSL program to have such policies. HEW also stated that it was considering whether this requirement can be made applicable to schools participating in student assistance programs authorized by title IV of the Higher Education Act (i.e., the Basic Educational Opportunity Grant, the Supplemental Educational Opportunity Grant, the National Direct Student Loan, etc.) and whether any deviation from the policy is necessary or desirable.

The national association had several comments on factors that it apparently believes should be considered regarding fair and equitable refund policies. These factors included (1) the point at which tuition and dormitory charges are earned, (2) the reason for the student's withdrawal (voluntary or involuntary), and (3) the complications resulting when students pay only part of the cost of education at State schools. HEW's refund requirements for schools participating in the GSL program specify that the Commissioner consider the following in examining what is fair and equitable: (1) the period for which charges were paid, (2) length of enrollment, (3) services provided, (4) whether the refund policy is mandated by State law, (5) whether the policy is approved by an accredited body, and (6) whether the refund policy produces refunds in reasonable and equitable amounts when certain comparisons are made.

HEW said that it would consider our recommendations for developing the capability to provide technical assistance and leadership to States to upgrade their authorization and monitoring process, and for proposing legislation to the Congress which would provide financial support to the States to improve the State authorization process. HEW officials stated that OE will be proposing legislation as part of the reauthorization of the Higher Education Act to provide assistance to strengthen the State's role in the eligibility process.

Although HEW indicated agreement with our recommendation that OE encourage States to adopt strong authorization mechanisms, it did not agree that States should be encouraged to eliminate exemptions of accredited schools from State review. HEW said that requiring State review of every institution would, in many cases, be unnecessary, and that discretion should be left to the State agency involved. Our concern is that, because consumer protection is not the primary role of accreditation, State reliance on accreditation may not insure that schools do not engage in abusive practices.

HEW concurred with our recommendation that OE develop minimum standards for such matters as advertising, refund policies, and information disclosure for States to use as a guide.

HEW concurred with our recommendation to study what information should be shared by the parties to the eligibility process and establish a formal information sharing system among those parties. HEW stated that a feasibility study to delineate issues and problems would be developed within 6 months.

CHAPTER 3

THE FEDERAL ELIGIBILITY PROCESS DOES NOT PRECLUDE QUESTIONABLE SCHOOL PRACTICES

Each of the 16 schools included in our review met Federal eligibility requirements--State authorization, accreditation, or were candidates for accreditation from an OE-recognized association and met Federal program requirements. However, at least one of the following was occurring at each of the schools we visited and could result in abuse of the Government's and/or student's interest:

--Admitted students without evaluating their abilities to undertake the courses applied for, thereby causing high attrition rates.

—Used grading policies which were not indicators of performance and which misled other schools, the public, and Federal agencies.

—Induced enrollments through false and misleading advertising or other questionable practices.

--Failed to provide promised services such as job placement assistance.

--Employed refund policies which resulted in little or no tuition or dormitory refunds despite brief attendance periods.

--Offered courses or programs which were unavailable or otherwise restricted.

--Utilized inadequately prepared teachers.

--Failed to advise prospective students and parents of pertinent information such as attrition or graduate placement rates.

Our review of school practices concentrated on matters which OE and others have noted as potential areas of abuse, such as admissions, advertising, refund policies, faculty training, and job placement. Because we visited only 16 schools and because 5 of the 16 were known to have consumer-related problems, our findings may not be representative of schools eligible to participate in Federal aid programs.

However, our review demonstrated that OE's eligibility process has not adequately guarded against such practices. The following sections highlight the situations found during the review.

INDISCRIMINATE ADMISSIONS PRACTICES CONTRIBUTE TO HIGH ATTRITION RATES

In December 1974 the House Committee on Government Operations submitted a report: "Proprietary Vocational Schools" to the House of Representatives. Among its conclusions was:

> "The need to make profits forces proprietary schools to seek out students who otherwise would not avail themselves of education or training. In recruiting students, however, a large number of schools are enrolling prospects who have a low probability of finishing the course. This practice needs to be restrained."

Our examination of admission policies and practices at schools visited showed that not only proprietary but also public and private nonprofit schools accepted applicants indiscriminately, that is, without determining whether applicants had the ability to complete the training or if their prior academic achievement indicated the ability to assimilate training. Although an open or special admissions program allows students not ordinarily qualified to pursue educational or vocational opportunities, we believe that a school has a responsibility to determine the applicant's potential and advise him accordingly.

Of the 16 schools visited, 10 (3 proprietary, 4 private nonprofit, and 3 public) did not always evaluate a student's abilities prior to admission. Such practices generally contributed to high attrition rates and to students incurring costly training without receiving expected benefits. The following examples show the admission practices at some of the schools visited.

Public and private nonprofit schools

At one private nonprofit 2-year college, with an attrition rate estimated by school officials at 40 percent, the admissions policy was:

> "The Committee on Admissions is most concerned with satisfactory achievement at the secondary school level. Intelligence and aptitude test

reports from a secondary school, as well as evidence of good motivation, character, and personality are major considerations of the Committee. Additional emphasis is placed on the recommendation of the high school principal or the guidance counselor."

A review of 25 files of students (most of whom received Federal assistance and also withdrew from the school) who attended the school during the 1974-75 school year showed:

--Seven did very poorly in high school.

--Ten did fair to good in high school.

--Eight lacked a record of their high school performance on file even though the school required a transcript.

The following is an example of a student we classified as having done poorly:

--Ranked 593 out of graduating class of 658.

--Received two "Cs," seven "Ds," and four "Fs" during his/her junior and senior years of high school.

--Lacked recommendations for admittance from high school officials or others in his/her file.

--Attended a vocational high school but enrolled in college as an accounting major.

This student entered the school in January 1975 and withdrew in March 1975. Tuition and other costs amounted to $825 and were paid mostly by Federal programs.

At a public junior college with an open admissions policy, a registrar advised that the school had not developed student attrition data even though the attrition rate was considered much too high. However, in an October 1974 application for a Federal school assistance program, the school reported that in a recent semester, the college had a 55-percent course non-completion rate or about twice the average for all city colleges. In addition, the school reported that fall 1974 enrollment was made up of predominately (77 percent) new students. This meant that many--at least 1,000 expected returning students--did not return.

Public institutions had other questionable admissions practices which adversely affected students. Although accrediting association standards required disclosure of admissions standards, one school did not have written memorandums or contracts to inform students of changes in its health program curriculum requirements. This permitted the school, in June 1976, to change school policies without disclosure to students. School officials changed the program's prerequisites by including additional "general education" requirements and thereby reduced the number of previously qualified students from 100 to 53. There were 40 fall 1976 vacancies. To further reduce the number of students to match the available vacancies, school officials depended upon normal attrition. School officials informed students about the policy changes when they returned to the campus in the fall.

At a 4-year public college, a nursing program has 75 annual vacancies for juniors. The program director estimates that 500 current students and 350 incoming freshmen are interested in the program. The school catalog advised students that admission to the program was selective. It also advised incoming freshmen who indicated an interest in the program that they were admitted to the college but not to the nursing program. Although the school advised students of enrollment restrictions, it did not advise them of the small chance of being admitted. School officials readily acknowledged that they have not been successful in reducing applications. In our opinion, students should have been advised of their chances of being admitted to the nursing program.

Proprietary schools

A proprietary school's admissions policy generally required a high school diploma or its equivalent, but a random sample of 20 admissions files showed that 6 had neither a diploma nor its equivalent. Over the past 3 years, the school rejected only 1 applicant. While the State requires the school to determine that such students possess the necessary mental capacity, only one of the five files contained evidence demonstrating such ability. Similarly, the accrediting association requires written justifications of acceptance of students not meeting the usual admissions requirements. However, we found four of five files did not contain such justifications. Because the school failed to maintain formal statistics, the overall attrition rate could not be determined. Four of these five students did not complete the program.

A second proprietary school did not follow its admissions policy, which required students to submit evidence of high

school graduation or its equivalent. Examination of records for a sample of 20 federally assisted students showed that 9 did not provide the required evidence and 18 did not provide high school transcripts. The latter would seem to prevent a determination of the likelihood of success based upon a student's prior academic performance. The overall attrition rate was 28 percent. Tuition and other costs were $1,995 for a 28-week program.

A third proprietary school also failed to follow its stated admissions policy that most students have a high school education. School officials advised us that about 49 percent of its students were not high school graduates.

GRADING POLICIES CAN LEAD TO PROGRAM ABUSES

Some of the proprietary schools and junior colleges we visited have grading practices which are often not in accordance with catalog statements or accrediting association requirements. Because OE requirements for financial aid programs provide that students be in good standing as determined by the school, schools with liberal no-fail grading policies allow students with poor grades to continue to qualify for Federal student aid funds. Examples of no-fail grading policies and possible program abuses are shown below.

A public junior college catalog describes a standard grading system with "Ds" and "Fs," but school officials report that if students fail courses, they are given "Ws." This does not affect the grade point average and allows students to retake the course until they receive a passing grade. Consequently, under this school's no-fail policy, a student can consistently receive "Ds" and "Fs" (which are converted to "Ws") and remain in good standing since "Ws" are not included in grade point averages. A random sample of 50 students attending the spring 1976 semester and receiving Federal assistance revealed that only one student had received "Fs." Thirteen students had received a total of 23 "Ws."

The financial aid director at this college told us that many recipients of Federal assistance drop out of school during a term and return in good standing the following term. Accordingly, these students are entitled to and receive another grant award. They return only to drop out again. He added that he is powerless to prevent students from abusing the program. Our examination of the transcripts of 15 such students identified by the director showed that 12 had received all "Ws" in their last semester of record. In total, these 15 students took 209 courses, passed 35 percent, failed

3 percent, and withdrew or otherwise did not finish 62 percent of the courses.

Many students at the above mentioned school were receiving VA benefits. Because of increasing open enrollment and liberal withdrawal policies at educational institutions and the absence or unenforcement of satisfactory progress standards, VA amended its regulations in 1975 to require educational institutions to specifically state its policy on satisfactory progress. The VA regulations require schools to (1) maintain records of students indicating final grades in each subject, (2) record withdrawals and reenrollments, and (3) enforce their standards of progress and report incidents of unsatisfactory progress to VA. After the school adopted the VA regulations, 175 unsatisfactory progress reports on veteran students were made to the VA State Approving Agency from January to August 1976.

The Congress also passed legislation in 1976 to address good standing for veterans. See pages 57 to 59, which discuss VA activities.

Another public 2-year school's catalog described a standard grading system with "Ds" (minimum passing) and "Fs" (failure). Students failing to receive "satisfactory final grades" are cautioned by the school that they will be "placed on scholastic probation or excluded at the close of the session." Nevertheless, students cannot receive less than "Cs" because lower grades are converted to repeats--"Rs"--and if not repeated to withdrawals--"Ws." Both grades are excluded from the grade point averages. Transcripts for 20 randomly selected students who had received about $20,000 in Federal educational financial assistance showed that, of the 164 courses taken, 52 percent received "R" or "W" grades; that is, possible failures. Since the school's grade point average only included "C" and above grades, all students were in good academic standing. Accrediting association officials told us that the school should follow its published statements, otherwise the practice is misleading to other schools.

While another public junior college does not have a no-fail policy, it does allow 15 units of "D," "F," and "I" course work (25 percent of the credits needed to graduate) to be repeated for grade change purposes. A fourth school simply has no unsatisfactory or failing grades. At another school, a student, according to the school catalog, is required to maintain at least a 75 average. In practice, however, any student attending the 1,500 hours of training as required by the State graduates regardless of grades.

FALSE OR UNSUPPORTED EMPLOYMENT CLAIMS ENCOURAGE ENROLLMENTS

Certain schools participating in Federal educational assistance programs are encouraging enrollments through false, misleading, or otherwise inappropriate advertising. Students are being misled by some schools which stress employment as a result of training. Furthermore, several schools visited do not maintain graduate placement data to support employment claims, nor do they provide placement assistance. OE program officials believe that high loan default rates are attributable in part to school misrepresentations.

Many students enroll in programs which train them for a specific occupation or profession. Schools, as a way of encouraging enrollments, also stress employment as an outcome of training. Although in the past employment claims were primarily made by proprietary vocational schools, we found junior and senior colleges also stressing after-graduation employment. For example, at one public school over half the students were enrolled in vocational programs. The school catalog had statements stressing employment, such as "leads to employment as keypunch operator;" "leads to employment in mid-management position;" and "leads to employment in Government positions here and abroad." The catalog also states: "The placement counselor helps place graduates in full-time positions." The school did not have a placement counselor or data to show that its programs led to employment.

Another school's catalog reported that its 2-year associate program in business management "is designed for those who seek employment as business executives in mid-management upon graduation." The placement department was unable to provide one example of a school graduate who obtained such a position. Another catalog description states: "This program is designed to prepare students for professional duties * * *." According to the school's president, the program was designed for the student whose goal is employment at a skilled or semiskilled level and not a professional level. School officials stated that these statements would be corrected.

This school conducted a study which showed that many graduates were unhappy with the placement activity or questioned the usefulness of training in obtaining employment. For example

--69 percent of the respondents said they could have obtained their present positions without the training provided at the school, and

--52 percent did not use and 20 percent were dissatisfied with the school's placement services.

Since the study, the school's placement director said that considerable progress has been made but that the school still lacks placement statistics. A private 2-year college states in its catalog that it:

> "* * * is offering a complete program that is designed to prepare graduates for well paying positions as * * * programmers, computer operations supervisors, systems analysts, or procedure specialists."

With respect to this statement, the placement director acknowledged that graduates could not obtain positions as programmers or systems analysts.

SCHOOL ADVERTISING

False advertising not only involves exaggerated graduate employment claims but also availability of financial assistance and school services. Such practices are found in proprietary, nonprofit, and public schools.

In a paper for a conference on consumer protection in postsecondary education, the director of a recognized accrediting association suggested advertising guidelines. He stated that a school should be prepared to verify from its own records everything said in its advertising. FTC best expresses the need for truthful school advertising in the following quotation: 1/

> "Because of their youth, their generally low level of educational and occupation achievement, their lack of experience and sophistication, and their demonstrated and often impulsive desire for improved career and financial prospects, vocational school consumers are particularly susceptible to advertising and sales techniques which are designed to exploit * * *."

1/Bureau of Consumer Protection's "'Proprietary Vocational and Home Study Schools'--Final Report to the Federal Trade Commission and Proposed Trade Regulation Rule," to FTC, Sept. 1976.

Some examples of false or misleading advertising found at schools in our review are summarized below. While they do not show the extent of student disappointment, they do illustrate how students can be misled.

One of the principal means by which schools encourage enrollments is through their catalogs. Many catalogs contained statements and other information which were misleading. In one school catalog, there were 29 illustrations or pictures which did not pertain to the school. For example, the catalog showed a picture of students in what seems to be the library. Under the picture a caption reads "Students researching the school library." However, the school does not have a library. The school catalog also contained several other misleading or exaggerated statements. For example, the catalog states that the school maintains its own radio station. (This is not in connection with any broadcast training.) However, the school does not have a Federal Communications Commission license to broadcast and the facilities have been only used to transmit music to a hospital over telephone wires. We brought these situations to the attention of the school's president. He assured us that the station would be back in operation shortly and said the catalog statement would be clarified. During the 2 years preceding our visit, however, this system had not been used because of the need for repair.

Still another school's catalog noted that "veterans benefits are available" when, in fact, school programs have not been approved for veteran training.

A proprietary school advertised that night school students can become technicians after attending 7 months. Actually, the night school program takes a minimum of 18 months to complete.

Various studies have noted the absence of information which would allow students to make an informed choice regarding which school to attend or program to pursue. Seldom is such an important and costly decision made based upon such limited information. We noted that schools do not always provide complete and accurate information on programs offered, cancellation or refund policies, and tuition or other costs. Likewise, other material facts such as attrition rates and percentage of graduates placed or who pursued advanced degrees were not always available. In recognition

of the need for more information about schools, the model state legislation 1/ contained the following standard:

> "That the institution provides students and other interested persons with a catalog or brochure containing information describing the programs offered, program objectives, length of program, schedule of tuition, fees, and all other charges and expenses necessary for completion of the course of study, cancellation and refund policies, and such other material facts concerning the institution and the program or course of instruction as are reasonably likely to affect the decision of the student to enroll therein * * *."

A recently completed HEW-sponsored study likewise noted the importance of information to students. The study reported that because of the uncertainty of future employment and the cost of education, a mismatch between student and school is far more disturbing now than in the past. 2/

TUITION REFUND POLICIES VARY SIGNIFICANTLY

Substantial differences exist with refund policies of the schools visited. Some schools provided no refund after the first week while others gave a substantial refund well into the term. Larger refunds remove some of the incentive for schools to enroll students who do not have the potential to complete a course of study.

To illustrate, the following shows the results of differences between four schools' refund policies. We computed the refund due a hypothetical student who paid $1,000 in tuition and withdrew after completing 3 weeks of class.

1/The model state legislation was published in 1973 by the Education Commission of the States and sponsored partly by OE and VA. Its purpose was to deal with the abusive practices in postsecondary education.

2/"Better Information for Student Choice: Report of a National Task Force," March 1, 1977. The study was funded by the HEW Fund for the Improvement of Postsecondary Education.

School	Applicable refund provision	Amount of refund
A	No refund due after 3 weeks	0
B	No refund beyond 1st week	0
C	70-percent refund allowed	$700
D	School retains 25 percent of tuition plus $100 withdrawal fee	$650

Under some Federal programs, schools are required to return a portion of the refund due a student (as determined by the school) to the Federal program. Accordingly, school refund policies affect the amount available to Federal programs. For example, the amount of refund due under the Basic Educational Opportunity Grant Program (BEOG) is calculated by determining the percentage of Federal contribution to the student's cost of education. Using the above example, if the student received 50 percent of his educational cost through BEOG, the Federal reimbursement would vary from $0 to $350.

Because some associations lack specific standards, member schools can change refund policies. For example, two public colleges altered their tuition refund policies in the past few years as follows:

School	Withdrawal during the	Refund percent	
		Prior	Current
1	2nd week	100	50
	4th to 7th week	80	(a)
	7th and later weeks	(a)	(a)
2	registration period	90	75
	1st week	80	75
	2nd week	70	50
	3rd week	60	(a)
	4th week	50	(a)
	5th week	40	(a)
	6th week	30	(a)
	7th and later weeks	(a)	(a)

a/No refund.

In both instances the amount due students was less under the current policy.

DORMITORY REFUND POLICIES ARE SOMETIMES PUNITIVE

Federal moneys are often used to assist students to defray other necessary educational costs, such as dormitory charges. As was the case with tuition, dormitory refunds are credited to some Federal programs in the same ratio as the Federal contribution to the total cost. Accordingly, at schools without dormitory refund policies or with policies which are excessively harsh, not only are students unable to recover costs for unused services but refunds to Federal programs are also unavailable.

Six of the 16 schools visited had dormitories but only 3 had written refund policies. In practice, one school gave no refunds while refund practices of the other five varied substantially. At one school, dormitory fees (consisting of room and board charges) of $1,800 are charged for an entire school year rather than on a semester basis. Also, the school requires all noncommuting students under age 21 to live in dormitories. A $250 dormitory deposit is required but not refunded after April 15 for September applicants and after October 15 for January applicants. Furthermore, the balance of the room and board charges, $1,550, is due before the student begins classes and this payment is not refundable.

A public 4-year school has a pro rata room and board refund policy. However, the room and board advance, $218, and the $25 housing security deposit are not refundable unless a written request is postmarked on or before the semester's advance payment date. The latest contract established the cancellation date for the fall semester as July 1 and for the spring semester as December 3--about 7 weeks prior to the start of classes.

At another public 4-year school, the room charges listed in the catalog are not refundable but the board charges are. However, the pro rata board refund is contingent upon students requesting contract cancellation; a fact not stated in the catalog.

LISTED COURSES ARE NOT ALWAYS OFFERED OR GIVEN

School selection can be influenced by course offerings. Students may select a school because they believe particular courses will best prepare them for the future. Although school publications indicated that numerous courses were available, many courses were not offered regularly. Although some courses were not given because of insufficient

student interest, others were not offered because the school lacked the capability to give the courses.

The above situation was more apparent at colleges and universities than at vocational schools, which generally used written contracts. For example, an evaluation of 16 departmental listings in a university curriculum guide showed that for the most recent academic year, 17 percent of the courses were not offered. Eight percent of the courses had not been given for the past 5 years. Also, for the most recent academic year, 19 percent of the electives and 6 percent of the required courses were offered but not given.

We examined course availability at a public 4-year college. During each year, about 25 percent of the listed catalog courses were not offered. Over a 3-year period, more than 10 percent of the catalog courses, including certain required courses, were never offered.

At another school which also failed to offer many listed courses, officials acknowledged that the school has never had the capability to teach many of the subjects.

INADEQUATE FACULTY TRAINING

As shown in the 1976 American Institutes for Research study: "Improving the Consumer Protection Function in Postsecondary Education," complaints about faculty were common. Without proper training, even the most knowledgeable person may have trouble teaching. In recognition of the faculty's importance, some States have experience and teacher training requirements for vocational school instructors. Some States also require instructors to be certified. Such requirements are designed to help insure at least a minimum level of education.

At certain vocational schools we visited, some instructors lacked formal teacher training and occasionally practical experience. For example:

--At one school, 9 of 17 instructors lacked the minimum teacher training or practical experience required by the accrediting association.

--At another school, only 4 of the 17 faculty members had completed the State-required teaching methods course.

CHAPTER 4

RELYING ON ACCREDITATION IS NOT ENOUGH

Accreditation has become the most important factor in determining which schools participate in Federal educational assistance programs. Federal agencies and the public expect accreditation to identify educationally worthy programs and schools. Accrediting agencies are private, independent, and voluntary agencies. Though they receive no direct Federal support, the Federal Government has relied heavily upon their determinations as one aspect in establishing school eligibility to apply for financial aid. However, our review showed that reliance on accreditation is not enough. Because of the voluntary nature of accreditation and lack of specific standards and monitoring practices, accrediting associations are generally unprepared to deal with many matters, such as advertising accuracy, tuition and dormitory refunds, and grading policies, as discussed in chapter 3. As a result, increased involvement by OE and the States is needed.

The principal ingredients in the accreditation process--the school's self analysis and the association's visiting team report--are not always complete or sufficiently detailed. The usual 1 to 3 days devoted to school visits accounts for the sometimes limited scope and failure to detect certain violations of association standards. In such cases, there is little assurance that a school is operating ethically or is capable of providing a quality education--two matters which the Office of Education believes are important accreditation objectives (as noted in its criteria for recognizing accrediting associations).

To avoid Federal intrusion in education, OE's criteria for recognition includes characteristics and capabilities that the accrediting associations should have but not what they should accomplish or should consider when granting accreditation. As a result association standards are not consistent and not always specific in areas where one would expect consistency. For example, one association may have a specific standard addressing graduate placement while another may not. Likewise, an association may require its schools to grant tuition refunds, while another association under similar circumstances would not.

Since association representatives seldom visit schools and self studies generally are not required between accreditation reviews--usually 5 or 10 years for the schools we visited--association monitoring is important. Annual reporting is an

important means by which associations monitor schools between visits. Association reporting requirements, however, are not comprehensive, nor are association reviews of annual reports and other materials thorough enough to assure that schools adhere to standards. New programs can be introduced and considered eligible for Federal programs without association sanction.

SELF STUDIES ARE NOT ALWAYS COMPLETE

Self studies form the basis for school evaluations by an association's visiting team. Since most visits are short--about 1 to 3 days--the self study helps team members identify areas needing examination. At 15 of the 16 schools visited, self studies were compared with association guidelines to determine if they were complete. The most dramatic shortcoming noted in any self study was a school's failure to address a significant portion of its academic offerings. The study mentioned only its liberal arts college while excluding its its six other colleges. Approximately 74 percent of student enrollment was in these six colleges. The association reaccredited the entire school for a 10-year period.

Deficiencies in other self studies included a school not providing sufficient data on faculty qualifications, rules concerning governing board membership, and procedures followed for financial accounting and reporting. Another school failed to include adequate information on or analyses of graduate placement and attrition rates.

To judge accuracy, we compared self study information with our observations and found that one had many inaccuracies. For this one, 33 of 250 answers were either inaccurate or misleading. The school stated, for example, that its entire staff had practical experience when only 9 of 15 instructors had such experience. The school was accredited.

There were other self studies reviewed, which, based on our observations, were complete and accurate.

PROBLEMS NOTED IN PERFORMANCE OF VISITING TEAMS

The self study and the visiting team report comprise most of the accreditation process. After the self study is completed, an evaluation team visits the school to:

--Confirm self study statements.

--Note problem areas not fully recognized by the school.

--Determine if the school has been responsive to previous visiting team recommendations.

--Assure the association that the school merits accreditation.

Although at times the visiting teams' work was impressive, their scope varied widely. Although some of the differences were based upon the particular association, most appeared related to the time allowed visiting teams (usually 1 to 3 days). For example, at the school which failed to mention six of its colleges in its self study (see p. 37), the team report noted that:

> "As the two days progressed it became clear to most of the team that it is not possible for a team of nine people to get a reasonably clear and complete view of so large and complex a university in the time allotted. [One member differed as to the adequacy of the time.] Each member of the team tried with high good will to learn what he could in his special areas of competence and assignment. The members are aware that there is much that they might have examined that they could not get to * * *."

The report also indicates that the team focused on the College of Liberal Arts, excluding the six other colleges.

Another visiting team report noted that of the school's 308 faculty members, 300 were part time and about 150 of these were high school teachers. The report then went on to note that the competency of the faculty could not be evaluated, but no reason was given. The visit took 1 day.

At a 4-year State school, school officials advised us that the time spent by the visiting team in the departments or other school activities varied substantially. Officials reported that little if any time was spent evaluating counseling, night school, or the continuing education departments.

In another case a visiting committee concluded that a lack of experienced personnel in the financial aid office was placing the program in jeopardy of serious breakdown in

timely delivery of financial aid awards, information, collections, and planning assistance. However, the committee report did not comment on (1) the lack of an association-required audit and (2) poor recordkeeping. HEW identified the latter weakness in a review shortly after the association visit, and we found that the school did not have an association-required annual financial audit for the past 5 years.

At another school, the self study contained nine instances of incomplete, inaccurate, or misleading information, none of which were questioned by the visiting team. The problems included:

--No discussion of school practices relating to licensing requirements for vocational programs.

--Inadequate disclosure of tuition refund policies.

--Failure to describe physical facilities.

Although association visiting team reports are expected to note deficiencies and offer recommendations, this is not always done. For example, an association expressed concern about a school's "seemingly high dropout rate." Although the association suggested that "improved aptitude testing and screening might be considered," it did not quantify the school's attrition rate, determine what factors were causing students to leave, or suggest specific testing and screening methods to reduce attrition. Further evidence of the lack of recommended actions is an official of the school stating that the site evaluation report was often not specific enough to enable school officials to decide whether corrective actions were appropriate and needed. The association visit lasted 1 day.

Another association's onsite evaluation report included observations on heavy faculty workload and inadequate equipment and supplies, particularly in graduate programs. The report, however, did not quantify the workload problem nor specify which equipment was inadequate. School officials believe that the evaluation team did not have enough personnel or time to review the school.

While little work was done in consumer protection areas during the team visit which we observed, we note the primary purpose of the evaluation team was to confirm and validate the conclusions of the institution's self study report.

ASSOCIATION MONITORING RAISES DOUBTS ABOUT RELIANCE UPON ACCREDITATION

Since periods of accreditation can extend for 10 years, monitoring is important. Associations require member schools to submit annual reports and to report significant changes. Many associations also require schools to submit interim reports which show school plans to implement association recommendations. Associations also reserve the right to perform interim visits.

Annual report requirements usually require schools to report enrollment figures, ownership or control changes, faculty changes, and financial data. Most associations also require a copy of the school catalog. Few associations specifically require information on attrition rates, admissions policies, refund policies, or other matters discussed in chapter 3.

In the past, annual reporting requirements did not generally require information which would show continued compliance with association standards between accreditation periods. Some associations did not review the information submitted by schools (e.g., catalogs) in sufficient depth to detect obvious misstatements or violations of standards.

Recently, some associations have devoted more effort to monitoring. During the most current year, one association read every word of every member school's catalog. As a result, an association official estimated that they required 60 schools to change misleading statements. Another association is computerizing its monitoring system. By establishing standards, the association can compare school practices in such areas as financial, placement, attrition, and faculty credentials.

In each of the following examples, the accrediting association did not address the school action. This indicates that association reviews of annual reports and other materials are sometimes superficial.

Association standard	School action or practice
Annual reports showing changes in curriculum, facilities, management, and finances. (Association notes that the annual report is the most important contact between the association and its members between accreditation visits).	Did not report changes in curriculum in 1972 and 1975, admission policies in 1972 and 1975, and ownership in 1975. In 1975 a school submitted an incomplete annual report for each of its five locations. For example, two locations left an entire page blank without the association raising any questions.
Schools are required to furnish catalogs. The association has a number of specific catalog requirements.	The catalog which was submitted did not include required information such as description of school facilities and equipment, usual class size, attendance, and termination policies. Another school submitted a catalog which violates 7 of 15 association catalog requirements. Violations included failure to disclose cost of training and State licensing requirements.

As noted previously, schools are not always reporting substantial changes occurring between accreditation periods. New school programs, although not reported to the accrediting association, still meet the Federal eligibility accreditation requirement. This is because the school is declared eligible based on its institutional accreditation; where there is such accreditation, OE has no formal requirement that it be notified of program changes. The following example shows changes not reported to the accrediting association at one school during the 9 years since the last accreditation visit:

--The formation of a college of criminal justice.

--The addition of six new night school locations.

--The addition of four new graduate degree programs in liberal arts.

--The addition of five new liberal arts majors.

--A change in or addition of 10 programs in the night school.

Since the association representatives do not generally visit schools between periods of accreditation (at the 16 schools reviewed, only once did such a visit occur), there is little assurance that schools continually adhere to membership standards. The following examples show schools violating standards between association visits.

Association standards	School practices
Admission policies should be published and special requirements included in a written memorandum or contract.	The school changed its program requirements to reduce the number of eligible students by about 50 percent. The school planned to advise students when they return in the fall. (See ch. 3, p. 26.)
A high school transcript must be obtained from each newly admitted student entering a degree or diploma program.	Out of a sample of 25 students who withdrew, no transcript was on file in 8 cases. (See ch. 3, p. 25.)

CONSUMER PROTECTION IS NOT THE PRIMARY ROLE OF ACCREDITATION

Many of the findings in chapter 3 could be classified as consumer protection issues; e.g., inadequate catalog disclosures, untruthful advertising, and unavailable courses. These issues and others have been addressed by OE, FTC, and congressional committees. Accrediting association representatives have also recognized the unfairness of some school practices and have indicated that there is a need to protect student interests. Some have adopted standards to address such school practices. However, because the roles of the three parties in the eligibility process are unclear, it is equally unclear as to who should be responsible for consumer protection in postsecondary education.

Most OE regional program and State education officials believe that they can rely on accrediting associations to provide an adequate evaluation of educational quality but not to provide sufficient protection for the educational consumer. Many officials believe that because membership is voluntary and accrediting associations consist of member schools, there are natural, built-in conflicts of interest. According to accrediting association officials, the purpose of accreditation is to evaluate and improve educational quality, rather than provide consumer protection measures.

Also, the president of the national association of postsecondary accrediting associations has stated that nongovernmental accreditation should fulfill no role in the eligibility process other than the one of serving as a reliable authority on the quality of education. Similarly, the association has noted in its quarterly report that it is a misconception to require nongovernmental accreditation to police school adherence to Federal or State requirements concerning consumer protection.

Regional accrediting associations often have no specific requirement for their evaluation teams to review consumer protection matters. One regional accrediting association stated that "the responsibility for insuring ethical practices rests with the individual institutions." An OE consultant who recently observed two site visits told us that team members did not do work in the areas of admissions, tuition refunds, course availability, or catalog content. He said that while student complaint procedures were examined, the team did not determine complaint disposition.

Similarly, little work was done in consumer protection areas during the team visit which we observed. The primary purpose of the evaluation team was to confirm and validate the conclusions of the institution's self study report. Based on our observations, we believe that the evaluation team adequately verified the institution's self study. However, although association guidelines address the following areas, team members did not review:

--The school catalog content. Therefore, they did not notice that many courses listed were no longer offered or that the required refund schedule was missing.

--Refund calculations or student costs.

--Student complaint files.

--Newspaper advertisements.

--Past annual reports. (In one year, an annual report was not sent and others contained errors.)

There are several factors why accrediting associations do not directly address consumer protection issues. First, OE recognition criteria generally addresses association administrative practices and capabilities, and provides member schools with certain safeguards in their relationships with associations. The criteria does not, however, generally address such matters as membership standards, association monitoring practices, and scope and depth of the association visits. Furthermore, the criteria does not require associations to have standards which cover admission and grading policies, and student attrition. Although OE does require associations to foster ethical practices among its members, equitable student refunds and nondiscriminatory practices are the only specific ethical practices mentioned.

To determine whether accrediting associations addressed the eight consumer protection issues discussed in chapter 3, we compared them with association standards and self study requirements for six associations. All mentioned three issues, but often their standards were not specific. For the other five issues, one or more of the associations failed to address the issue. An example of what we considered a specific standard would be an association's tuition refund policy which requires a certain percentage refund for varying periods of attendance. An example of a nonspecific standard would be an association's standard which states that a good counseling program--academic, vocational, and personal--is important.

Another hindrance to associations identifying and correcting questionable school practices is the lack of enforcement authority. Because of the voluntary nature of accreditation, associations attempt to encourage, rather than require, schools to perform certain functions. Membership standards are established by governing bodies composed of member schools' officials (though in recent years, associations have added public representatives to their governing boards). Furthermore, some attempts by associations to remove accreditation from schools has resulted in lengthy and costly litigation.

In addition associations generally do not have enough resources to perform these functions. As FTC concluded in its report, "Proprietary Vocational and Home Study Schools," specialized associations "are not organizationally equipped

to perform the regulatory functions that are integral to avoid consumer abuses." In a previous study, we noted that the administrative staffing of many associations is quite limited. For example, from the 42 associations responding to our request for information, we selected those that had taken 100 or more accrediting actions during each of calendar years 1973 and 1974. The average administrative staff size for the 13 associations selected was 3.1 professional and 3.8 clerical staff members.

An October 1976 OE-funded study 1/ on consumer protection recommended greater State, Federal, and accrediting association involvement in protecting the consumer of education. The study addressed three basic aspects of educational consumer protection--redress mechanisms, better information on institutions for consumers, and regulation. As a result of the study, OE is currently working with accrediting associations in testing and promoting an institutional report form that partly addresses the consumer protection policies and practices of institutions. Also, the American Institutes for Research, in a December 1977 OE-funded study of State oversight in postsecondary education, reported that accreditation agencies should only be expected to play a secondary role to State agencies regarding consumer protection issues because States have the primary responsibility for guarding against potential abuses. The Education Amendments of 1976 increased the consumer protection redress and regulation functions for OE. According to the Director of the Division of Eligibility and Agency Evaluation, its provisions clarify the regulatory responsibility as a Federal responsibility. See chapter 5 for a further discussion of increased State and Federal roles needed in consumer protection and the eligibility system.

We also believe that all three parties have roles to play in protecting the consumer of education and also believe that questionable school practices can adversely affect educational quality and the students' and Federal investments.

1/"Improving the Consumer Protection Function in Postsecondary Education," American Institutes for Research, Oct. 30, 1976.

CHAPTER 5

INCREASED STATE AND FEDERAL ACTIVITIES AND INFORMATION SHARING NEEDED WITHIN ELIGIBILITY PROCESS

In chapter 4 we pointed out the OE's heavy reliance on accrediting associations to insure adequate consumer protection at federally eligible schools and why such reliance on accreditation is not enough. In this chapter we show hinderances to greater State involvement and the limited actions taken by OE and others in consumer protection matters. We also discuss the opportunities for improvements in the eligibility process through greater information sharing.

INADEQUATE LAWS AND STAFF CHARACTERIZE STATE AUTHORIZATION

A school must meet State legal requirements to open. Although State laws and practices vary, most States have (1) separate agencies responsible for public, private, nonprofit, and proprietary schools and (2) stricter regulations for proprietary schools than for colleges and universities.

Since States possess legal authority (as opposed to the voluntary basis of accreditation), they represent the best means available to prevent consumer abuses. States also represent the only protection offered students in schools not participating in Federal programs (approximately 60 percent of all vocational schools).

Current State authorization processes do not ensure that students receive adequate protection against unfair school practices because:

--State laws and regulations often exempt accredited schools from State requirements or otherwise do not adequately control school operations.

--State funding has been inadequate to allow States to perform indepth application reviews and necessary monitoring after authorization.

In 1975 there was a general consensus among participants in the National Invitational Conference on Institutional Eligibility that States have an important role in school eligibility. It was also agreed that States needed assistance to upgrade their activities. In July 1975 the Federal Interagency

Committee on Education 1/ published a report: "Toward a Federal Strategy for Protection of the Consumer of Education," which also addressed the State role. One of its recommendations was that OE provide assistance to all States to strengthen their consumer protection activities.

A December 1977 OE-funded study by the American Institutes for Research, "A Study of State Oversight in Postsecondary Education," reviewed educational laws and regulations and reported that most States exempt certain types of institutions from States' licensing laws and regulations. The report cited that:

> "The most important forms of blanket exemption permit schools to operate without state oversight that: (1) are accredited; (2) existed prior to a certain date; (3) are regulated indirectly by a professional board (such as a state board of barber or cosmetology examiners); or (4) are incorporated as a charitable or nonprofit institution (although these schools may be required to file reports, affadavits, etc.). In the nondegree sector, for example, the laws/regulations of 24 states allow accredited schools to be exempted from all or part of the basic licensing requirements; 18 states' laws/regulations allow similar exemptions for degree-granting institutions."

Moreover, the report also concluded that OE should provide assistance to States to improve the State oversight in postsecondary education. Further information on this study can be found on pages 51 and 52 of this report.

States generally make a distinction between proprietary and vocational schools, and colleges and universities. State licensing and monitoring requirements for proprietary vocational schools are also generally stricter than those for colleges, and many States also have separate agencies for such schools. Three of the four States in our review, for example, divided the authorization of colleges and universities from proprietary vocational schools. In the fourth State, responsibility for both was assigned to a single agency.

1/The Federal Interagency Committee on Education was created by Executive order in 1964 to improve coordination among agencies, and to study the major problems and issues confronting the educational consumer.

Vocational schools

Although three of the four States in our review had laws protecting vocational school students, the laws were limited in scope and sometimes allowed for reliance on accreditation in lieu of meeting State standards. Furthermore, State agencies could not adequately monitor schools because of the lack of staff.

In State A, for example, the board licenses vocational schools after a desk review of the school's application. Because accredited schools are required to submit only limited information, they are, in effect, licensed automatically. Although State law addresses consumer protection, limited travel funds and a small staff (2 staff members for 236 schools) hinders monitoring.

In contrast, State B requires private vocational schools to submit annual applications. Officials then make an onsite review to verify the accuracy of the application. Supporting the State's monitoring efforts is a new law providing for (1) stiffer student-school contractual requirements, (2) increased "cooling off" period (3 to 6 days) for students to cancel contracts without penalty, and (3) a requirement to document placement claims.

The need for consumer protection and resulting corrective State action was best illustrated in State C. After a newspaper highlighted abuses in vocational schools, the State strengthened its procedures. The abuses reported included high dropout rates, school representatives' misrepresentations, low job placement rates, and misleading advertising. Legislation was passed which provided for (1) establishing a centralized agency, (2) increasing the number of personnel, (3) developing consumer information packages, and (4) establishing a pro rata refund requirement for profitmaking schools employing written contracts.

State C also requires its 160 vocational schools to annually renew licenses. The renewal application is detailed and requires information, such as attrition and graduate placement rates, faculty qualifications, and samples of advertising which must be approved before advertisements can be placed. State agency officials also monitor schools after licensing. Officials advised us that school visits were made three times a year to insure compliance with State regulations. Recently, however, fund shortages have caused a 50-percent reduction in personnel (from eight to four professionals, and from four to two support staff).

Both the newspaper articles and the State's actions appear to have had a positive effect. Better Business Bureau officials noted that fewer complaints are now received and the Attorney General's office reported that many of the worst schools have closed.

The educational agency in State D is responsible for authorizing courses at about 1,800 private and proprietary schools and colleges and also for approving courses for veteran training. At the time of our fieldwork State law exempted many schools from the authorization process when:

--The school grants a degree and is accredited by an OE-recognized accrediting association.

--The applicant owns an interest in real or personal property used exclusively for the purpose of education, with a fair market value of not less than $50,000.

About 120 schools had registered under the latter provision, which State officials consider a serious weakness in the law. They cited an example of a school which offers a 2-day bachelor's degree program consisting of an examination lasting from Friday evening until Sunday afternoon. Individuals pay a $1,100 fee and, if they pass, receive a degree--if not, they get a $1,000 refund.

At the time of our fieldwork the State Attorney General's office was sponsoring legislation to eliminate weaknesses in the law, including the provision which permits schools to operate without State supervision if they are accredited. Despite this, the existing regulations have not been aggressively enforced. Furthermore, we were told that there are no regulations for dealing with institutions operating within the State but headquartered elsewhere. Staffing was also noted as a problem by a report of the State's postsecondary education commission. With more than 1,800 private and proprietary schools to monitor, agency field representatives have a workload of 145 schools each.

Colleges and universities

In three States visited, regulations for colleges were weaker and less consumer oriented than those for vocational schools. For this reason, and because the State agencies responsible for oversight lacked personnel and resources, they were less likely to make monitoring visits and more apt to rely on accreditation. None of the four States visited

had laws which emphasized consumer protection for 2- and 4-year nonprofit schools.

The monitoring varies in State A. Public 4-year colleges and universities are visited every 4 or 5 years. Although a State official believes that accreditation is vital for quality education, he noted that their review is similar to an accreditation reevaluation. For 2-year community colleges, the board relies strongly on accreditation. State law encourages regional accreditation for all schools, but does not emphasize consumer protection. Although an official feels that legislation has made schools more accountable, he noted that the State relies on the school to determine adherence to State standards. The State agency receives this information when the school applies for its initial and annual license, but the State makes no periodic onsite reviews.

For the State's 91 proprietary schools, State A has a two-person board. The law exempts schools that are accredited by an OE-recognized association and this (according to a State official) weakens the law. Licensing for accredited and nonaccredited schools does not require an evaluation visit. After licensing, visits are made if serious problems are brought to the board's attention.

None of State B's boards governing 2- and 4-year nonprofit schools have enabling legislation which emphasizes consumer protection. State B has a master plan which recommends that schools give funding priority to counseling services and graduate employment offices. New program approvals are to include a factual assessment of graduate placement prospects. Neither of the 2- nor 4-year boards do any monitoring.

State C has little control over its 89 private colleges and universities. Of the total, the State has no control over 33 private schools with unamended charters; that is, older schools which received legislative approval prior to the establishment of the State agency. In addition, after initial licensing, control over other private schools is limited to reviewing requests for additional degree-granting authority and to conducting onsite evaluations every 12 years.

The State agency likewise has limited authority over public colleges. The State does not have statutory authority to review existing programs, but the public schools must submit new programs for approval. There also are no onsite reviews for public schools. About one-third of the program

approval requests are rejected because the schools are unable to demonstrate the need or ability to teach the program. Private institutions in contrast are not required to have new programs approved. For both public and private colleges, the State has no regulations or rules of conduct. This prevents the State agency from monitoring educational offerings or protecting the consumer, two matters which State officials consider necessary because of certain school practices.

OE looks to the States for a determination of whether a school is legally authorized to provide a postsecondary education. However, because the oversight laws and procedures vary between States, this is sometimes difficult to determine. The following example highlights this problem.

The legal status of an eligible university in a State we did not visit became confused when, in June 1975, the State enacted a law placing all public and private degree-granting institutions under supervision of a coordinating board for higher education. About December 1975, the university informed OE that it was filing an application with the coordinating board for recognition as a degree-granting institution. This application was denied by the board in November 1976. The university continued operations and evidently fell under the purview of the State's proprietary schools and veterans office. Because the school did not apply for nor obtain a certification of approval from this State office, the office brought the situation to the attention of the State's Attorney General for cease and desist action. In April 1977 OE requested a determination from the State's Attorney General on whether the school was legally authorized to operate within the State. Because the reply was not responsive, OE looked to the other eligibility requirements for a basis to terminate the school's eligibility. Eligibility was terminated in November 1977 because the unaccredited school could not show it met one of the alternatives to the accreditation eligibility requirement.

OE and the States

Because there is little detailed information about State authorization activities, OE contracted with the American Institutes for Research to conduct "A Study of State Oversight in Postsecondary Education." The December 1977 (see p. 47) study evaluated State activities relating to school eligibility and focused on ways to prevent consumer abuses. Specifically the study reviewed the following:

(1) State educational laws and regulations which deal with the authorization and oversight of post-secondary institutions and

(2) State enforcement mechanisms, resources, and desired assistance strategies needed to improve the authorization and oversight functions.

The study concluded that there is much room for improvement in the State oversight of postsecondary institutions. In this regard, the study listed suggestions for States to improve their oversight functions and for OE to assist States in making improvements. Other than this study and occasionally sponsoring meetings for State officials, OE has done little to affect the State authorization process, particularly when compared to its efforts to affect the practices of accrediting associations.

FEDERAL EFFORTS TO ADDRESS ABUSES IN HIGHER EDUCATION

OE program officials are concerned about the inability or unwillingness of accrediting associations to promote consumer protection. They have initiated or are involved in several efforts which have sought to address the consumer protection issues arising out of the administration of the major OE financial aid programs. However, generally, OE officials have had limited avenues of action and have relied on the associations to investigate and resolve consumer complaints.

The Education Amendments of 1976 give the Commissioner of Education new authority to address some of the consumer protection issues discussed in this report. (See pp. 53 to 55.)

In addition to OE, FTC and VA have initiated actions which seek to address some consumer-related issues. FTC has an industrywide requirement that proprietary schools disclose placement and attrition rates, and adopt equitable refund policies pending.

The following is a discussion of the efforts by each of these agencies.

OE

In 1975 OE established a "problem schools task force" to share information on schools with known or suspected problems, such as consumer abuse and fraud. Composed of

representatives from the individual OE aid programs and Division of Eligibility and Agency Evaluation, information was exchanged and possible actions discussed at weekly meetings. Aid program officials stated, however, that information received on schools could not always be used because it was unsubstantiated. Furthermore, various aid programs were inconsistent in their actions. For example, three student aid programs could withhold funds from schools which violated program agreements, while a fourth program could not do so unless the school's eligibility was terminated.

Also in 1975, the Subcommittee on Education and Consumer Protection of the Federal Interagency Committee on Education 1/ published a report which recommended various strategies for protecting the education consumer. The report's recommendations that addressed the issues discussed in our report included:

--Providing information to students on their rights and responsibilities.

--Disclosing student dropout and course completion rates.

--Establishing pro rata refund requirements.

--Assessing statutory authority to address an institution's probity.

--Providing aid to States to improve licensing and consumer protection oversight of schools.

--Establishing an interagency complaint center.

--Revising recognition criteria to include consumer protection.

Although the first four recommendations were proposed to be part of the 1976 Education Amendments, only the first two were included in the law. OE has conducted a study of the State oversight activities and State licensing laws and is planning to propose legislation to implement the fifth recommendation above. As of August 1978, the other recommendations have not been implemented.

1/The Federal Interagency Committee on Education was created by Executive order in 1964 to improve coordination among agencies and to study the major problems.

Other studies have been performed to address consumer protection issues. An October 1976 OE-funded study: "Improving the Consumer Protection Function in Postsecondary Education," resulted in several consumer protection strategies for use in identifying and curbing consumer abuses in postsecondary education. These included a student consumer's guide and a report form for collecting, analyzing, and using information on educational institutions' consumer practices. OE is currently working with accrediting associations to test the report form. OE was planning a conference in November 1978 to promote accrediting association adoption of the report form.

Another study funded by the Fund for the Improvement of Postsecondary Education 1/ was performed by the National Task Force on Better Information for Student Choice and was published in March 1977. The project tried to demonstrate that the quality and responsiveness of information on individual schools could be improved for prospective students. Eleven participating schools took different approaches in developing model school prospecti which provided students more precise and informative statements on what the school offered. The project encouraged other schools, at their own initiative, to do the same.

The Education Amendments of 1976 gave the Commissioner of Education the authority, under specified conditions, to limit, suspend, or terminate an institution's eligibility for any student financial aid program funded under title IV of the Higher Education Act of 1965, as amended (including the Basic Educational Opportunity Grants, the Supplemental Educational Opportunity Grants, the National Direct Student Loan, and the College Work Study Programs). Such action will be taken if the school has violated or failed to fulfill any requirement of title IV or regulations thereunder and/or substantially misrepresented the nature of its education program, its financial charges, or employability of its graduates.

Previously, the Guaranteed Student Loan Program had been given the authority to limit, suspend, or terminate a

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1/The Fund for the Improvement of Postsecondary Education, which began operations in 1973 and is authorized by the General Education Provisions Act (Public Law 92-318) makes grants and contracts with public and private educational institutions and agencies to improve postsecondary educational opportunities.

school's participation in its program if the school violated or failed to carry out the program's regulations. However, the program seldom used this authority because of a conflict between the implementing regulations and those of the Civil Service Commission. The implementing regulations provided for an administrative law judge to hear contested actions. However, the Civil Service Commission will appoint administrative law judges only when specifically required by law. To resolve the conflict, Guaranteed Student Loan regulations were revised in December 1976 to allow an independent program officer to preside over hearings on contested actions.

The 1976 amendments also require that schools participating in student financial aid programs and receiving aid for their administration provide the following information to students requesting it:

--The financial assistance available.

--The costs of attending the institutions.

--The refund policy of the institution.

--The rights and responsibilities of the students.

--Data regarding retention rates at the institution.

Under the act, OE is to also establish standards of financial responsibility and capability for administering student financial aid funds and is also to conduct fiscal audits of the aid funds maintained by the institutions. Also, to be eligible for Federal financial aid, students must owe no refund on grants previously received nor be in default on any loan made, insured, or guaranteed by the Commissioner of Education at the school he is attending.

The 1976 amendments provide OE authority in areas it previously relied on accrediting associations to address. Final regulations to implement the (1) limit, suspend, and terminate authority and (2) consumer information requirement, were published December 23, 1977, and December 1, 1977, respectively. Proposed regulations for implementing the misrepresentation, and the financial responsibility and administrative authorities were published in August 1978. As of October 1978, regulations for implementing the authority that students owe no money on grants or loans previously received had been published in final form for some OE aid programs and proposed form for others.

A conference on the Federal Government's relationship to the nationally recognized accrediting associations was included in the 34th meeting of OE's Advisory Committee on Accreditation and Institutional Eligibility in June 1977. One of the purposes of the conference was to clarify the roles of OE and the accrediting associations in the eligibility process. During the conference, we observed that differences continued to exist between the accrediting associations and the Federal Government on their perceived consumer protection roles, as well as the need to further define the roles of the participants in the eligibility process. A similar conference was held in July 1978, which focused on the States' role. (See p. 18.)

FTC efforts

Although FTC officials feel that abuses are prevalent in both profit and nonprofit schools, FTC authority is limited to proprietary schools that are engaged in or that affect interstate business. FTC relays complaints against nonprofit schools to State or Federal agencies. Complaints against proprietary schools may be similarly routed or result in an FTC investigation.

In 1972, FTC issued "Guides for Private Vocational and Home Study Schools" in response to the numerous repetitive complaints of abusive practices by proprietary schools. Although the guides were voluntary and issued in the hope that schools would abandon unfair and deceptive acts and practices, abuses proliferated. In August 1974, FTC proposed, for public hearings and comment, industrywide regulations addressing the areas of employment, earnings claims, placement, attrition statistics, cooling off and affirmation periods, and refunds. The proposed Trade Regulation Rule (developed pursuant to sec. 5 of the FTC Act) would make FTC enforcement and redress of consumer inquiries easier. Specifically, the proposed Trade Regulation Rule contained the following major provisions:

--A requirement that printed or broadcasted job and earnings claims be accompanied by certain qualifying disclosures.

--Mandatory disclosure of dropout rates for all schools and disclosure of placement and salary statistics for schools that engage in job and earnings advertising.

--An affirmation period during which the student receives the disclosures required by the rule and decides if he will enter the course.

--A pro rata refund policy calculated on a class-by-class basis for residence schools and a lesson-by-lesson basis for home study schools.

FTC staff held public hearings on the proposed Trade Regulation Rule and issued an analysis and report for FTC and public consideration and comment. A ruling by the full Commission on the rule's adoption was expected in December 1978. If the Trade Regulation Rule is adopted by the full Commission, FTC staff feel that there will be sufficient statutory authority to control consumer practices in proprietary vocational schools.

While the Trade Regulation Rule may help to control proprietary vocational and home study schools, there is still concern about the public and nonprofit sector. The report issued by the convening officer of the FTC Trade Regulation Rule hearings contained the following statement on public schools:

> "Symptomatic of the increased competition is the tendency of the public institutions to hustle students. * * * we now have * * * dog-eat-dog situation. There has always been competition for top athletes at the best schools, but now it is simply a matter of keeping the classes filled and surviving. Thus, colleges may now be found to have mobile recruitment vans at shopping centers; their unsolicited mailing programs have become enormous; and their radio, television, newspaper, billboard, and bus sign advertisements are proliferating."

VA activities

To determine whether veterans can receive VA student aid benefits, current legislation allows State Approving Agencies (funded through VA contracts to monitor and assess educational programs) two methods to assess the quality of a course or program. They can rely on the accreditation by a nationally recognized accrediting agency or assess the courses or school themselves.

VA officials told us that their prior experience with accrediting associations and the State approval process has led the Congress to require VA to conduct a study of the approval process and report its findings and recommendations to the Congress by September 30, 1979. As an example, VA officials refer to the blanket approval a regional accrediting association gave to an associate degree program of a university. The program was administered by a corporation under contract with the university and was offered in various States. Because the school was regionally accredited, the State Approving Agency, responsible for oversight of the university, approved the associate degree program and courses. However, when VA procedures were changed to require each State Approving Agency to review the program being given in the respective States, 1/ 22 disapproved or expressed reservations about the program and another 10 had made no determination about the program at the time of our fieldwork. The arrangement between the corporation and the university subsequently ended.

VA officials told us that VA regulations are more specific to an assessment of the quality of education for individual courses than are the requirements of recognized accrediting associations. Another VA official explained that these regulations provide that a State Approving Agency examine the individual courses of a school to determine the quality of education provided. Accrediting associations, according to this official, more often determine only whether a school is meeting or is working to meet its objectives; it does not examine individual courses. As a consequence of its misgivings, VA considered proposing in 1976 legislation which would require accredited courses to meet the same requirements that nonaccredited courses must meet to be approved by a State Approving Agency. However, this proposal was never formally submitted to the Congress.

Also, in 1975 VA tried to curb veteran and school abuses of VA funds resulting from liberal grading policies. VA amended its regulation to require educational institutions to specifically state its policy on satisfactory progress. (See p. 28.) In addition, on October 15, 1976, as a result of abuses, the Congress passed Public Law 94-502, which requires schools to adopt grading standards which a veteran must meet to remain in good standing. The law also provides that benefits would not be paid for a course if a veteran

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1/The program was offered in 45 States (plus Washington, D.C., and Puerto Rico).

withdraws unless VA found there were mitigating circumstances. This same restriction applies to any course not used in computing the requirements for graduation.

Section 206 of Public Law 94-502 specified that a veteran would not be making satisfactory progress if the veteran cannot graduate within the approved length of the course. Public Law 95-202, dated November 23, 1977, amended this section by requiring the VA Administrator to determine the reasonable length of time before a veteran is considered as not making satisfactory progress.

INCOMPLETE INFORMATION LIMITS CORRECTIVE ACTION

Although the objectives and activities of accrediting associations, Federal and State agencies, and other organizations are often similar, these groups have little contact between themselves. Studies have recognized the need to share information but have not determined what can be shared.

Most Federal and State agencies and accrediting associations make onsite visits to schools to carry out their approval, licensing, or investigative responsibilities. Because many of them also receive complaints on school practices from students and other persons, they have information which may affect the approval, licensing, and accreditation of schools.

Several of the agencies and organizations visited had files on school practices. Most agencies prepared written reports of school visits and some had procedures for handling complaints about school operations. In addition, some agencies had data pertaining to:

--Administration.

--Fiscal stability.

--Enrollment and registration procedures.

--Number of students which can be accommodated.

--Dropout rate.

--Course offerings.

--Physical facilities.

A formal exchange of information would help to identify questionable practices.

According to one OE consultant, the lack of consistent communication among the various agencies leads to problems such as:

--Schools which had their State authorization to operate withdrawn or suspended, still maintaining their accreditation and Federal eligibility.

--A school which had its accreditation withdrawn or refused, still maintaining its eligibility.

--A school which moved to a neighboring State and established eligibility after the first State acted to withdraw the school's license.

We also noted, for example, that the following information was readily available but not shared.

--Schools which were under FTC cease and desist orders for false and misleading advertising.

--Advertising practices which were in violation of accrediting and licensing standards.

--Student complaints about school practices, such as schools failing to provide refunds, despite their policy to do so.

Although this information affects directly or indirectly eligibility, agencies have been reluctant to share such information. For example, we asked the accrediting associations in our review whether they contact Better Business Bureaus, State Attorney Generals, regional OE, VA, or FTC officers, State Approving Agencies, or consumer groups for information on schools they accredit. Association officials told us that they generally do not contact these groups. We also contacted officials of the offices listed above about the same subject. They also stated that they do not generally volunteer or seek information from others.

Problems experienced in information sharing

In 1975, OE established an internal information sharing system to identify potential problem schools. OE program officials in the field were to note potential problems at eligible schools and send this information to their Washington headquarters. Although information was sent, much of it was unsubstantiated because, according to OE program officials, OE regional offices lacked staff resources to

validate information. Other information, such as notices of Department of Justice investigations of schools, was provided by the Department of Justice for information purposes with restrictions that it not be used in taking actions against schools. Because much of the information was not usable, this system was discontinued.

Another system was recommended after a November 1976 HEW Audit Agency report showed that financial aid payments were being made to schools after they had closed or lost accreditation. The Audit Agency recommended that OE develop procedures which would identify, at the State level, closed and high-risk schools and insure that this information would be quickly sent to program officials. In response, OE stated that it would investigate the establishment of such a system, but as of January 1978 no system had been established. OE officials explained that before they could initiate system plans, the State oversite study would have to be completed. (See ch. 5, pp. 51 and 52.)

A different type of situation hinders release of information by the Justice Department and FTC. They may not disclose information until a case is concluded. At that time, the case becomes part of the public record. Accrediting associations are reluctant to share information with others because of their confidential relationships with member schools.

Our review also provided more evidence of the need for better information and information sharing. For example, we noted that:

--Division of Eligibility and Agency Evaluation learned of certain school closings as much as 2 to 6 years after the actual closing. These were generally hospital-based schools. According to OE officials and our review of selected school files, the schools, though declared eligible, had not participated in OE aid programs.

--In December 1976, DEAE was in the process of soliciting basic eligibility information from over 1,000 schools because it lacked files on them. These schools had been declared eligible prior to the DEAE's establishment in 1968. These schools, according to OE officials and our review of selected school files, were generally older, established institutions.

--Accrediting associations do not provide information to OE on why they remove accreditation, although OE may learn of this through off-the-record discussions with accrediting association officials. If not informed, OE cannot pursue identified problems. This is particularly important where a school maintains its eligibility because it is accredited by another association.

Benefits of information sharing in monitoring school practices

Partly as a result of high default rates on student aid loans and student complaints, an OE regional office established a task force comprised of OE, VA, FTC, and State Approving Agency officials. By pooling their information, the task force members identified in one State a pattern of abuses and practices at 10 proprietary vocational schools. Questionable practices included inadequate student records, inadequate guidance and counseling services, low placement rates, weak admission policies, low completion rates, and many irregularities in student loans. The task force alerted State and local officials representing the State Attorney General, local consumer protection agencies, legal aid offices, and the Better Business Bureau to the problems in their localities.

The task force also found that the 10 schools were violating accrediting association standards. Because of Federal and State reliance on accreditation, the task force was concerned about the lack of association monitoring. The FTC member recommended that the State Approving Agency assess programs independently and not rely on accreditation. Four of the 10 schools closed prior to the regional OE compliance unit report on its findings and recommendations to appropriate State and Federal officials.

Information sharing could also benefit the recognition process

During the recognition process, OE does not actively solicit information from internal (other OE or HEW) or external (FTC, VA, or States) sources. Since there is little independent OE verification of the information supplied by associations, it seems particularly appropriate that OE routinely and actively seek information from other sources. The following example typifies the information available but not considered by OE during the recognition process. OE educational assistance program officials showed us a list of

"problem schools." The list contained over 40 accredited schools which had been reported to program officials by students, regional program officials, and others who had encountered or who were aware of problems. The problems encountered focused mainly on financial matters, areas for which many associations in our review have standards. Examples included:

--For 2 years, a school showed serious financial problems.

--Although a shortage of funds was evident, there was no prosecution because financial records were in such disarray that fraud could not be proven (school did not lose accreditation until almost 20 months after OE noted fund shortages).

This is only one source which could be used to determine how well associations fulfill their responsibilities.

CHAPTER 6

IMPROVEMENTS NEEDED IN OE'S RECOGNITION OF ACCREDITING ASSOCIATIONS

The purpose of recognition is to identify reliable authorities who can insure that a school is capable of providing at least a minimum level of quality education. OE's current system for recognizing accrediting associations to be included on the Commissioner's list of recognized associations does not require sufficient documentation of the accrediting process. Also, OE does not independently evaluate an association's accrediting process. Furthermore, OE's analysis of submitted materials did not detect some weak association practices. Adequate documentation and a thoroughly independent evaluation is necessary for OE to recognize associations as reliable authorities on educational quality.

OE's overreliance on accreditation may hurt its effectiveness to change association practices. Because a viable alternative to accreditation is not readily available, if OE were to withdraw recognition from an association, some worthy member schools and their students could be unjustly punished by losing their eligibility to participate in Federal programs. This results because of a lack of a viable alternative. In such a case, eligibility would have to be denied.

RECOGNITION CRITERIA

The Veterans' Readjustment Assistance Act of 1952 required the Commissioner of Education to maintain a list of accrediting associations determined to be "reliable authorities as to the quality of training offered by an educational institution." The Commissioner also maintains lists of State agencies which he has recognized. Recognized State agencies approve nursing schools and, since 1973, public vocational schools.

Even before 1952, OE published lists of private and public organizations which accredited or approved postsecondary schools. Because of the many accrediting associations, OE introduced recognition criteria in 1948. OE's current recognition criteria includes four areas of compliance--functionality, responsibility, reliability, and autonomy. (The criteria was dis..ssed on pages 6 and 7 and listed in app. III.)

As with accreditation, recognition is voluntary. To be recognized, the accrediting association or State agency submits

a petition to the Commissioner of Education, who has an Advisory Committee on Accreditation and Institutional Eligibility. The Advisory Committee determines an association's ability to be a reliable authority as to the quality of training offered by its member schools and programs.

Recognition is as follows:

--An association submits a petition showing how its standards and practices meet OE criteria.

--Division of Eligibility and Agency Evaluation reviews the petition and can supplement the review by either visiting an association board meeting or accompanying an evaluation team.

--Advisory Committee reviews the petition and makes recommendations to the Commissioner of Education for a final decision.

--The association is listed as recognized.

OE PROCESS FOR REVIEWING ASSOCIATION PERFORMANCE

When evaluating whether associations comply with the recognition criteria, OE can request additional documentation if the petition is unclear or incomplete. OE may also observe association meetings or school evaluation visits. The DEAE staff notes the strengths and weaknesses and converts them to a numerical rating indicating extent of compliance with each criterion. The staff then prepares a summary which (1) highlights the submitted petition, (2) lists the issues or problem areas, and (3) makes recommendations. The completed analysis is sent to an OE panel review board which generally accepts it, but has the option to suggest changes or make recommendations to the Advisory Committee.

Lack of documentation prevents informed judgment

Although OE occasionally denies petitions for recognition from accrediting associations (eight in 1975 and five in 1976), our examination of four association requests for recognition showed that OE has inadequate review procedures and practices. Because OE has not established minimum submission requirements, initial petitions seldom have enough information to demonstrate compliance with the recognition criteria. This has partly resulted in recognition periods

ending before the Advisory Committee can consider the new petition. Periods of recognition are granted up to 4 years, depending on the association's demonstrated compliance with the criteria. In addition, OE's review of petitions does not necessarily lead to requests for needed information. As a result, petitions do not necessarily have adequate documentation.

Of the four petitions reviewed, OE requested additional information on two. One association's period of recognition expired in February 1974, but the petition could not be considered by the Advisory Committee until January 1975. The association's request for extension of recognition was simply in the form of a letter. OE requested more documentation but the information provided was inadequate.

Two elements basic to the accreditation process are a self study made by the school and an onsite evaluation of the school by the accrediting association. When OE fails to request examples of self studies or visiting team reports, it relies on association instructions as evidence of compliance. OE should obtain samples since association self study guidelines are sometimes vague and visiting team performances vary. (See ch. 4.) Two petitions reviewed did not include either a self study or visiting team report, but both associations were recognized. In a third petition, OE requested an association to furnish examples of both, but the association only furnished the self study. While the association received a very favorable rating from the OE staff, during the Advisory Committee hearings a third party complaint was lodged against the association and delayed final action.

OE recognition criteria requires associations to demonstrate the capability and willingness to foster ethical practices. This includes equitable student tuition refunds. Two petitions had standards that merely indicated that tuition refunds would be addressed in the accreditation process. OE accepted the association standard and did not request specific examples of member schools' refund policies to determine if they were equitable. (See pp. 32 to 34 for differences in such policies.)

Even when obtaining examples of association accrediting activities, OE allows associations to select the examples to include with their petitions. Under such circumstances there is little assurance that association examples are objectively selected or indicate association performance. For example, it would be hard to visualize an association selecting a

visiting team report which stated that team members did not have sufficient time to perform an adequate evaluation. (See ch. 4, p. 38.)

Self studies and visiting team reports for the same school would allow OE to compare one to the other. Likewise, OE should receive other materials, such as interim reports, student complaints, and school catalogs. Such items would allow OE to determine, among other things, whether the self study appears complete or the association visit adequate. The use of this information would provide OE with a complete example of an association's accreditation process. In our opinion, this is necessary to determine how well associations fulfill their responsibilities.

Some weak association performance not revealed by OE analysis

As part of the evaluation of one association, OE sent an observer on an accreditation visit. Some of the observations were:

--Unexplained absence of the assistant chairman of the evaluation team.

--No evaluation check sheets for associate degree programs.

--Need for better training and/or orientation of team members.

--Need for revising and/or strengthening self study guidelines.

Although this was the only visit made in conjunction with the association's petition, little attention was apparently paid to the observer's report. While the report did conclude that the association met all recognition criteria in this instance, neither the petition summary nor the staff analysis addressed the points raised by the observer.

Another example of where OE failed to identify weaknesses from data submitted by an association or data otherwise available occurred in the case of an association which was evidently experiencing problems with candidate schools. (Candidates for accreditation are schools which are reasonably certain of meeting accreditation standards within a specified timeframe.) The problems ranged from failure to meet association financial

requirements to false and misleading advertising. The information showed that the association's standards require candidate schools to meet standards in the same manner as accredited schools, but that school visits are made by a small committee for 1 day. Regular association visits, however, last 3 days, and composition of the teams are based on school size. Minutes of an association board meeting noted that candidate visitations are not long enough to "determine characteristics of a college."

Our review included one school which had been granted candidacy status by this association. The following comparison of school practices with association standards shows that the school was not in compliance.

Association standards	School practices
Teaching should be conducted so that it relies heavily on the use of the library. The library should be organized in a comprehensive manner for easy accessibility and should foster a climate of learning.	A $100 library fee is deducted each semester from a student's Federal aid, even if he or she is attending an affiliated center--the closest of which is more than 20 miles from the campus. At the time of our visit, the library was in complete disarray; e.g., books were piled on the floor and in boxes and were not indexed. Usage appeared to be poor.
A school will seek to provide personnel, resources, and incentives that encourage significant learning.	The physical facilities left much to be desired; e.g., there was no campus bookstore; the gymnasium contained holes in the windows, floors, and walls; there was also a hole in the middle of the only blackboard in the main classroom.

Association standards	School practices
A school must be committed to the pursuit of truth in communication with others. Clear evidence of intent to deceive or misrepresent is cause for denial of candidacy.	The catalog contained several erroneous statements, such as "veterans benefits are available" when, in fact, they are not.
A school should have an enrollment sufficient to maintain reasonable levels of quality, education, and economic efficiency compatible to its financial base.	Only about 60 students attended the main campus, and 12 of them were enrolled in the school's occupational college.

Although OE was apparently unaware of the problems at the above school, it had enough evidence to question association candidacy activities. Specifically, OE knew (1) the poor financial status of one of the association's candidate schools, (2) allegations that another school received candidacy status under "political pressure," and that (3) a third candidate school offered students a free choice of classes (no areas of concentration or disciplines required). However, the OE staff analysis of the petition briefly described association candidacy requirements and concluded that the association provided for the application of its criteria and procedures the same way it would for full accreditation. A thorough examination may have resulted in a request for sample self studies, visiting team reports, or even an observer visit to a candidate school.

Also, there is little independent OE verification of the information supplied by an association. Therefore, it seems appropriate that OE routinely and actively seek information from other sources during the recognition process. However, according to the Chief of the Accreditation Policy Unit, DEAE, such information has been sought only when problems have been suspected to exist.

ADVISORY COMMITTEE ON ACCREDITATION AND INSTITUTIONAL ELIGIBILITY

To fulfill its responsibilities, the Committee, on the average, holds 5 meetings annually which usually last 3 to 4 days each. Most of this time is spent reviewing accrediting associations' petitions for recognition and related OE staff analyses to determine if the petitions adhere to established criteria.

When the Advisory Committee convenes, two subcommittees review association petitions during a public hearing. OE staff and consultants, association officials, and interested third parties have the opportunity to present evidence relating to the petitions. Following testimony, the subcommittees make a final judgment and submit their recommendations to the full Advisory Committee. After the Advisory Committee examines the materials presented and hears subcommittee recommendations, they vote on the petitions and forward their recommendations to the Commissioner of Education.

Although the Advisory Committee makes the recommendations, their decisions are based almost entirely on the OE staff analysis and on the testimony presented to the subcommittees and Committee. When staff analyses are inadequate, the Advisory Committee decisions are not based on complete and accurate information.

EXCLUSIVE RELIANCE ON ACCREDITATION HAMPERS OE

The alternatives to meeting the accreditation eligibility requirement are limited. While an alternative eligibility mechanism is available to public vocational and nursing schools in some States (via approval by recognized State agencies), other alternative procedures do not include an established readily usable mechanism for use on a large scale. Therefore, if OE was to remove the recognized status of an accrediting agency, it would not, for the most part, have an alternative means to continue the eligibility status of member schools. This was noted in an OE-sponsored study 1/ which concluded that without an alternative way to make schools eligible, OE's review of recognized agencies becomes a "charade" since removing recognition would make worthy schools and students ineligible.

Partly because of this reliance, OE has adopted a philosophy of persuasion which is consistent with the voluntary nature of recognition but does little to change association practices. This is illustrated in the following case. After a December 1973 recognition hearing, the Advisory Committee recommended a 1-year extension of recognition. This limited recognition was partly based on the following deficiencies:

--Lack of competency and knowledge of onsite review team.

1/"Private Accreditation and Public Eligibility" by Orlans, Levin, Bauer, and Arnstein, Oct. 1974.

--Lack of quality of onsite reviews.

--Inadequate self studies.

In February 1975, the association sent a petition which responded to the deficiencies noted in December 1973, but OE found that the association had not been fully responsive. OE's analysis noted the continued existence of the three problem areas cited in December 1973. Consequently, the Advisory Committee recommended that action be deferred until December 1975.

In November 1975, the association submitted a progress report. The OE analysis found a need for better consultation and direction on the nature and purpose of self studies and a need for more thorough briefing and/or training of subject specialists. An OE official noted that the association had come forth with a "considerable number of proposed changes--changes which have yet to be implemented." Because of the association's action, the OE staff found the association complied with 19 of 34 rated categories, but could only potentially comply (i.e., if proposed changes were carried out by the association, compliance would occur) with the other 15 categories. After 2 years, the association had only the potential to overcome identified problems.

In our opinion, the association was not responsive. Evidence in OE files shows that (1) self studies were still inadequate, (2) review teams were still not trained to assume their roles, and (3) onsite evaluations were still superficial. All were problems identified in December 1973. In effect, the association, over a 2-year period, failed to correct major problem areas.

CHAPTER 7

SCOPE OF REVIEW

Our review concentrated on (1) OE's process for determining school eligibility to apply for Federal student financial assistance, (2) how each of the respective parties within that system perceived and fulfilled their roles, (3) the extent to which potential consumer abuses and questionable practices were occurring at eligible schools, and (4) what was being done to detect and eliminate or curb such practices.

Because OE places such great reliance on accreditation in their eligibility process, we also devoted significant resources to this area. In this regard, we did not try to assess the extent to which the associations were fulfilling their primary role, that is, determining a school's quality of education. However, because of the differing views as to what constitutes educational quality, certain issues discussed in this report could be viewed as affecting quality.

We performed our work at OE headquarters; VA and FTC headquarters in Washington, D.C.; four HEW regional offices in Boston, Atlanta, Chicago, and San Francisco; four VA regional offices in the three latter cities and St. Petersburg; State agencies in California, Florida, Illinois, and Massachusetts; seven accrediting associations recognized by OE; and 16 schools eligible for participation in OE educational programs.

The schools selected consisted of private nonprofit, publicly supported, and proprietary schools. The nonprofit sector included junior and senior colleges and universities which offered associate, bachelors, masters, and doctorate degree programs. The proprietary schools offered nondegree training in trade and technical skills. Student enrollments ranged from 161 at a 2-year private nonprofit university 1/ to 576 at a proprietary vocational school, to over 13,000 at a private university. During the 1975-76 school year, Federal financial aid ranged from $49,000 at a proprietary, vocational school to over $5,200,000 at a university. Five of the schools visited were identified by State or Federal officials as having consumer or related problems. At these schools we determined (1) the severity of these problems,

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1/Although called a university, the school was a 2-year college.

(2) whether additional problems existed, and (3) the awareness of these situations and the extent to which this information was shared by governmental, consumer, and educational groups. In selecting the remaining schools, we attempted to provide a balance between geographic location, type of ownership, and school accrediting association affiliation.

All 16 schools were accredited or candidates for accreditation by a regional and/or a specialized association. The accreditation which established eligibility--primarily institutional accreditation--was emphasized because it fulfilled eligibility requirements regardless of whether a school's programs were accredited by another association. As a result, observations were based on the work of three national and four regional associations.

Our review of school practices concentrated on matters which OE and others have noted as potential areas of abuse, such as admissions, advertising, refund policies, equipment and facilities, and job placement. Each of the 16 schools we visited was authorized by the State, accredited or a candidate for accreditation by at least one OE-recognized association, and participated in various Federal education assistance programs.

Our review included discussions with OE, VA, and FTC officials in Washington, D.C., and the regional offices, and a review of applicable records in selected regions. We also interviewed State officials representing educational agencies, Attorney Generals' offices and consumer protection agencies in four States; held discussions with and obtained standards and other materials from various accrediting associations; and held discussions with private groups involved in educational matters or consumer protection issues. At the 16 schools we visited, we held discussions with school officials and reviewed applicable school records.

APPENDIX I

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20201

JUN 06 1978

Mr. Gregory J. Ahart
Director
Human Resources Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft report entitled, "The Office of Education's Eligibility Process -- What Assurances Does It Provide?"

The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

Thomas D. Morris
Inspector General

Enclosure

APPENDIX I

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20201

JUL 24 1978

Mr. Gregory J. Ahart
Director, Human Resources
Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

Pages 6 and 7 of the Department's comments on your draft report, "The Office of Education's Eligibility Process--What Assurances Does It Provide?" have been revised and are enclosed. I regret the delay in this matter, and we appreciate Mr. Qvale's assistance.

Sincerely yours,

Thomas D. Morris
Inspector General

Enclosure

APPENDIX I

Comments of the Department of Health, Education, and Welfare on the General Accounting Office Draft of Proposed Report Entitled "The Office of Education's Eligibility Process--What Assurances Does It Provide?"

OVERVIEW

Since the inception of a centralized system for administering and monitoring institutional or program eligibility, and the creation of the Division of Eligibility and Agency Evaluation (DEAE) within the Office of Education's Bureau of Higher and Continuing Education, the allocation of resources for administering the eligibility system has not kept pace with the ever increasing number of funding programs, institutions of postsecondary education, accrediting bodies, and state approval agencies for which services must be provided.

We believe, therefore, that the capacity of the Office of Education to address the kinds of issues in the area of accreditation and eligibility for funding raised by GAO is limited by both statutory restrictions on the Federal involvement in education and by present resources. However, as is pointed out in our response to each of the specific recommendations contained in the report, the Office of Education, in concurring with the substance of many findings, will continue to upgrade the quality of services provided.

It must be recognized that the GAO Report is about a function which is performed by the Office of Education, rather than a funding program which it administers. This function, determining institutional eligibility to apply for federal financial assistance programs, is carefully defined by legislative statutes, which include the mandate to the Commissioner of Education to list accrediting and State approval agencies which he determines to be reliable authorities regarding the quality of education and training offered by programs and institutions.

While the GAO Report recognizes the distinction between the eligibility determination function and the administration of financial assistance programs, the Report has findings related to the latter activity. These findings convey the impression that program administration issues can be resolved through the eligibility determination function. Statutory authority does not exist under the Higher Education Act of 1965, as amended, (HEA) to allow the Office of Education to resolve program administration problems through the eligibility determination function.

A number of current efforts to improve the eligibility process are underway now. The Education Amendments of 1976 mandated authority for the Commissioner of Education to issue regulations intended to curb fraud and abuse in the student financial assistance programs by setting forth particular requirements for the granting and maintenance of institutional eligibility. In addition, the Commissioner already possesses certain basic statutory and regulatory authority in the eligibility area. Regulations regarding Limitation, Suspension, or Termination of Institutional Eligibility and Student Consumer Information were published in the Federal Register in December 1977. Other regulations implementing the eligibility section of the Education Amendments of 1976 are near completion and will be issued shortly as Notices of Proposed Rulemaking. These regulations relate to audits, records, financial responsibility, institutional management capability, and misrepresentation. The Department also plans to publish a comprehensive set of regulations specifying the procedures for determining institutional eligibility, as well as revisions to the Criteria for Recognition of National Accrediting and State Agencies, by October 1, 1978.

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A final point with respect to the GAO Report: It must be recognized that there are severe limitations upon the conclusions one can draw from a study which sampled 16 postsecondary institutions (one-tenth of one percent of the eligible universe) and which limited its review of the recognition process to less than one percent of the number of reviews covered by the period of study.

GAO RECOMMENDATION

We recommend that the Secretary of Health, Education, and Welfare direct the Commissioner of Education to continue to meet with representatives of the States and accrediting associations to jointly (1) develop definitions of their respective roles and (2) establish a reasonable time frame for defining and implementing these roles.

DEPARTMENT'S COMMENT

We concur. OE will continue to meet with representatives of the States and accrediting associations in order to strengthen each component of the system. OE will co-sponsor, with the Education Commission of the States, in July 1978, a major national conference to discuss a research study conducted by the American Institutes for Research entitled "State Oversight in Postsecondary Education." This conference will include State, Federal, and accrediting agency representatives, and will address the areas recommended for discussion by the GAO.

GAO RECOMMENDATION

We recommend that the Secretary of HEW direct the Commissioner of Education to initiate efforts which will increase the public awareness of the accreditation process and what can and should be expected from it.

DEPARTMENT'S COMMENT

We concur. The Department has already taken some measures to increase public awareness of the accreditation process and what may reasonably be expected from it. For example, in June 1977, the Office of Education convened an Invitational Conference on the Federal Government's Relationship to the Nationally Recognized Accrediting Agencies, where accrediting agencies, Federal representatives and members of the Commissioner of Education's Advisory Committee on Accreditation and Institutional Eligibility discussed the purpose and functions of accrediting agencies and the uses of accreditation by Federal and other public agencies. The published proceedings of this conference are available to the public and have been distributed to the general public, inlcuding the press, and the education community.

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The Office of Education is proposing revisions to the Criteria for Recognition of Nationally Recognized Accrediting Agencies and Associations. Following publication of the proposed revisions in the Federal Register (June 1978), a series of hearings will be held nationwide to obtain public comment and in so doing increase the public's awareness of the accreditation process.

We will continue to review all OE publications pertaining to accreditation and institutional eligibility for the purpose of better clarifying the role of accreditation in the institutional eligibility system.

GAO RECOMMENDATION

The Secretary of HEW should direct the Commissioner of Education, in order to systematically evaluate association petitions, to (1) establish minimum submission requirements, (2) identify sample self-studies and visiting team reports to be submitted, (3) conduct observer visits to the school, (4) obtain information from appropriate groups regarding schools accredited by the petitioning association

[See GAO note 1, p. 79.]

DEPARTMENT'S COMMENT

We concur with the thrust of this recommendation, which is designed to provide for a more effective process of recognizing accrediting associations. We do not concur, however, with three of the five specific recommendations cited.

In order to improve the recognition process, the Office of Education has contracted with the Educational Testing Service, Berkeley, California, to conduct a study of the validity and reliability of the Criteria for Recognition of Nationally Recognized Accrediting Agencies and Associations, and OE's evaluative procedures for recognizing accrediting bodies. This study should provide several recommendations for strengthening the Criteria for Recognition and the recognition process.

We also anticipate that public hearings on the proposed revised Criteria for Recognition will provide additional suggestions for improving the recognition process. In addition, the Office will devote more resources to the recognition process in order to strengthen the evaluation and subsequent monitoring of recognized agencies.

Regarding the recommendation to establish minimum submission requirements, we concur with GAO. There are presently minimum requirements for petitions submitted by accrediting agencies, as indicated by correspondence with agencies prior to submission of petitions. In establishing compliance with the OE Criteria for Recognition, the burden of proof is upon the petitioning agency. However, to better clarify what is expected of petitioning agencies, the Office of Education will be developing a set of guidelines to the Criteria for Recognition which will list minimum submission requirements. We anticipate that these guidelines will be developed in six months.

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Regarding the recommendation concerning the identification of sample self-studies and visiting team reports, we do not concur with the GAO. The Office of Education routinely selects the onsite evaluation visits conducted by accrediting agencies that it wishes to observe in connection with a petition for recognition. In preparation for these reviews, staff or consultant observers review the institutional or programmatic self-studies of the designated institutions. Furthermore, staff observers attend meetings of accrediting bodies during the period of staff review of the agency. At these meetings, numerous self-studies are available, and the staff observer has an opportunity to review randomly selected self-study documents.

With respect to the recommendation regarding onsite visits to schools, we concur with the GAO. While we do observe onsite visits now, we will take appropriate steps to increase the field work in this area in the coming fiscal year.

We do not concur with the recommendation to obtain information from appropriate groups regarding accredited schools, since we believe that the present procedure is adequate. We solicit information about petitioning agencies from third parties when circumstances merit obtaining such information. These circumstances include questionable compliance with the Criteria for Recognition, especially the criteria relating to acceptance of the agency, the scope of the agency's operations, and complaint procedures.

GAO note 1: Deleted comments relate to matters which were presented in the draft report but were omitted in the final report.

GAO RECOMMENDATION

We recommend that the Secretary of HEW direct the Commissioner of Education to forthrightly implement the provisions of the 1976 Education Amendments. Specifically, this should include the use of the limit, suspend, and termination actions against schools which misrepresent the nature of their educational programs, nature of their charges, or employability of graduates.

DEPARTMENT'S COMMENT

We concur. Final rules for the Procedures for the Limitation, Suspension, or Termination of Institutional Eligibility for Programs under Title IV of the Higher Education Act of 1965 were published in the Federal Register of December 23, 1977.

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GAO RECOMMENDATION

We recommend that the Secretary of HEW direct the Commissioner of Education to issue regulations for schools applying for eligibility for OE financial assistance programs which provide for the following:

-- admission policies which enroll students with potential to benefit from training; exceptions to be justified in writing.

DEPARTMENT'S COMMENT

We concur. The Office of Education is currently developing regulations which require vocational schools and institutions of higher education to document their determination as to whether a student, on admission, has the ability to benefit from training offered. As currently proposed, the institution would be required to document the determination on the basis of a standardized test or other measurement instrument, or verifiable indicators such as written recommendations from professional educators, counselors or employers. In addition, the institution would be required to maintain the documentation and make it readily available to the Commissioner.

-- for universities, colleges, schools or programs preparing students for gainful employment, the provision to students of information on the number of students completing the program and seeking employment, or license or other document legally required to obtain employment in the recognized occupation.

DEPARTMENT'S COMMENT

We concur. In accordance with Section 131 of the Education Amendments of 1976, the Office of Education published, on December 1, 1977, regulations which require that institutions receiving administrative allowances under Title IV student aid programs publish information relating to the number and percentage of students completing the program which a student is enrolled or expresses interest, as well as information regarding student retention at the institution.

Section 133 of the Amendments included a provision regarding misrepresentation which makes it unlawful for an institution to publish false or misleading information relating to the employability of its graduates. A regulation implementing this language currently is in the clearance process.

In a proposed regulation, also now in clearance, dealing with a wide range of eligibility matter, OE sets forth a procedure for determining whether an institution "prepares students for gainful employment in a recognized occupation." The regulation would require institutions to maintain data on the number of students who obtained employment in occupation for which they were trained. Such information would, of course, be in the public domain.

-- fair and equitable refund policies under which a school must refund unearned tuition and fees and room and board charges to students who do not begin or complete the period of study for which funds were paid.

DEPARTMENT'S COMMENT

The Department currently requires that educational institutions which participate in the Guaranteed Student Loan Program have a fair and equitable policy under which the educational institution must make a refund of a student's unearned tuition, required fees, and, where paid to the institution, room and board charges. The Department is now considering whether this current policy can be made applicable to education institutions participating in each student assistance program authorized by Title IV of the Higher Education Act and whether any deviation from this policy is necessary or desirable.

GAO RECOMMENDATION

We recommend that the Secretary of HEW direct the Commissioner of Education to:

-- develop the capability to provide technical assistance and leadership to States to upgrade their authorization and monitoring process including initial authorization and monitoring capabilities.

-- propose legislation to the Congress which would provide adequate financial support to the States to improve the State authorization process.

DEPARTMENT'S COMMENT

Several recommendations for developing the Office of Education's capability to provide technical and financial assistance to the States are found in the American Institutes for Research (AIR) Final Report on "A Study of State Oversight in Postsecondary Education." These recommendations will be reviewed at the July, 1978 national conference, referred to on page 3, following which we will consider the appropriate directions to take, including the need for legislation.

-- encourage States to adopt strong authorization mechanisms including the elimination of exemptions for accredited schools from State review.

DEPARTMENT'S COMMENT

We do not concur with this recommendation. The Office of Education, since 1973, has encouraged the States to strengthen their authorizing mechanisms by urging the adoption of Model Legislation developed by the Education Commission of the States. In 1973, the Education Commission of the States appointed a Task Force on Model State Legislation for approval of Postsecondary Educational Institutions and Authorization to Grant Degrees. This Task Force was supported in part by a grant from the Federal Interagency Committee on Education, with representation from the Department. We have continued to strongly support the Model Legislation developed by the Task Force, including the provision which allows for exemptions for accredited schools at the discretion of each appropriate State agency. It was the decision of the Task Force that requiring review of every institution would, in many cases, be unnecessary, and the discretion should be left to the State agency involved. We support that position and will continue to urge States to adopt the Model Legislation.

-- develop minimum standards for such matters as advertising, refund policies, information disclosure for States to use as a guide.

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DEPARTMENT'S COMMENT

We concur. We believe that such minimum standards already exist in the Model State Legislation. Nevertheless, the Office of Education will consult with the Education Commission of the States in order to determine if further action is required to assist the States in these matters. In addition, the forthcoming OE regulations on institutional standards under the Education Amendments of 1976 will provide guidelines in these areas.

GAO RECOMMENDATION

We recommend that the Secretary of HEW direct the Commissioner of Education to conduct a study of what information should be shared by the parties in the eligibility process and establish a formal information sharing system among those parties.

DEPARTMENT'S COMMENT

We concur. Within the next six months we will develop a feasibility study which will delineate the issues and problems.

The Council On Postsecondary Accreditation

March 23, 1978

Mr. Gregory J. Ahart, Director
Human Resources Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

The Council on Postsecondary Accreditation appreciates this opportunity to respond to the General Accounting Office's draft report entitled "The Office of Education's Eligibility Process--What Assurances Does It Provide?" Since the restricted release of the proposed report in late January, the Council has convened several meetings of major accrediting bodies to review and discuss the report. These comments represent a synthesis of the major reactions from the several institutional accrediting bodies included in the report.

The scope of these comments is limited to the accreditation issues raised in the report. At the outset, we understand that GAO's central purpose is to critique OE's policies and practices for monitoring schools which participate in select OE funding programs, most notably student financial aid, and to assess the protection they offer to consumer and Federal interests. Our purpose in submitting these comments is to improve the accuracy of the critiques, the reasonableness of the conclusions, and the soundness of the recommendations.

Next, it is clear that the report reflects a familiarity with the accreditation literature and a sincere attempt to understand what is frequently a complex process. Yet, we do feel that the report is gravely flawed in its analysis of both the eligibility process and the role accreditation plays in it. We feel that these flaws severely limit the impact of the recommendations and dampen the endorsement which the education community might otherwise give the report. We feel that overall the report grossly distorts and misrepresents accreditation as we will describe later. Despite those concerns, we note a number of isolated references throughout the report which accurately depict the true role of accreditation and its relationship to eligibility. Thus we are encouraged that GAO is alert to our concerns, and believe that a simple shift in emphasis in some of the language will yield a much more incisive report. Because our comments only emphasize in a different way, points which are already in the report, our suggested changes in no way diminish the vigor of the directives to the Secretary, but only place them on a more factually sound basis which should thereby garner more support from

Kenneth E. Young, President / Charles M. Chambers, Staff Associate / James M. Phillips, Staff Associate

One Dupont Circle, N.W., Suite 760, Washington, D.C. 20036 phone: (202) 452-1433

APPENDIX II

the postsecondary education community. Without rewriting the report, we have attached edited versions of the abstract, scope and digest which incorporate our suggested changes.

The most glaring factual discrepancy throughout the entire report is a basic, conceptual misunderstanding of the eligibility process administered by OE's Division of Eligibility and Agency Evaluation (DEAE). At one point, on page 3, the report correctly notes that DEAE establishes a school's eligibility to apply for individual OE aid programs; and that upon application for specific funds from other OE divisions, further programmatic information or requisites are required before the right to participation is granted. Yet overall, the report inaccurately attributes a predominant role to DEAE in the overall scheme of Federal funds flowing to schools through specific OE programs. Because DEAE disburses not one dollar of funds, its determinations have no auditable effect on an institution's participation in and stewardship of particular program support. The limited and restricted nature of DEAE's process may be roughly described as determining a school's "citizenship" in the post-secondary education community. Specifically, as the report notes, eligibility requirements involve factors, such as being legally chartered, offering a program of study, admitting students, having accreditation, and complying with Federal laws. These factors are clearly in the nature of indicia which Congress uses to define those postsecondary schools it wants to allow to apply for a specific series of OE funding programs, which includes admitting students with financial aid or guarantees. Further, the fact that eligibility is more of a classification than an entitlement is shown by the fact that by just being eligible, an institution neither receives any direct Federal funds nor assumes any contractual obligations to an OE funding program. For example, once it does admit a financially aided student, it becomes responsible to the Bureau of Student Financial Assistance for its own administrative and financial capabilities.

Two of the indicia which the report seriously misinterprets are admission and accreditation. The admission factor in eligibility only establishes that something which wants to be called a "school" must show that it has a formalized clientele made up of "students" who have been admitted; e.g., a carry-out concession would not be considered a "school." How the admission is accomplished, and whether it is open, selective, geographic, sectarian, career oriented, etc. is not, nor should be a concern of DEAE. Should an institution elect to use its eligibility to apply for particular program funds, including admitting financially aided students, then it voluntarily subjects itself to whatever scrutiny of its admissions and other practices is necessary to comply with the program requirements. Indeed, some OE programs are designed to increase admission opportunity for students whose cultural background predisposes them to attrition or at least to interruption of their studies. Similarly, for the accreditation factor the Commissioner is statutorily restricted to assessing reliability only as to the quality of training offered by the school. Training is a more generic term than education and shows that this is just another characteristic of what will be called a "school" for purposes of OE funding. GAO explicitly omitted this factor from the scope of the report.

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Turning now to other concerns, it is clear that GAO has identified specific problems in the administration of Federal funds by some schools. In fact, GAO selected five of its sixteen sample schools because they were known to have problems. This does provide a legitimate basis to critique the administrative practices of the particular OE funding program in the Bureau of Student Financial Assistance. It is also true that the conclusions and recommendations tend to be more tempered than the sweeping analysis of the overall report. Yet we feel the report is further flawed by the generalities about accreditation which come from such a miniscule sample. This lack of perspective regarding accrediting activities leaves the report replete with findings which could be taken out of context and quoted capriciously. Accrediting agencies are modestly funded, voluntary, and receive no direct Federal support. This is a heavy risk to bear. Although GAO appropriately limits its review in its statement of scope, this chapter is placed at the very end of the report where it is least likely to be read. We have grave reservations that the limited scope of the GAO study would not be clear to the casual reader. Even the Federal Trade Commission recognizes that accreditation "is not intended to perform regulatory or protective functions." (Final Report: Proprietary Vocational and Home Study Schools, p. 318.) Therefore we strongly urge that, as a minimum, the three-page scope statement, with our few changes, be placed at the front of the report, after the abstract and before the digest.

Next, we have some concern about the incomplete nature of the field studies on which GAO relied for its findings. While the report does not identify which COPA recognized agencies were the sources of specific findings, we have concluded that, for at least some of the studies, more field research has dramatically changed the conclusions. Some of our member agencies may contact GAO directly about specific findings that can be attributed to their participation in the field studies. They would then be able to provide more complete and current information about such studies. We cannot comment further at this point.

We can comment, however, about some general conclusions on refund policies. For conventional institutions, both tuition and dormitory charges are earned at the beginning of each term. This is because these charges are not for the rendering of services over the period of the term, but are rather for making such services available at the start of the term. The utility is consumed once the term begins, whether the student continues his studies or not. One indication of this is that the school experiences no net savings when a student withdraws. The cost is distributed to the other students. Consequently, any refund must be considered more in the nature of insurance benefits which indemnifies the student's risk of involuntary withdrawal. At the same time, it would hardly be equitable to the other students to allow a student who withdraws voluntarily--say, to live off-campus--to receive a refund.

The relationship between refund and pricing policy is most apparent in public non-profit schools. Tuition rates and dormitory fees are normally set as separate funds on a zero surplus or deficit basis. The cost of education revenues are built up from tuition, endowment, gift incomes,

APPENDIX II

and state appropriations. Similarly the dormitory rates are established by estimating the expenses to be incurred and dividing by the total occupancy. In such a situation, any refunds must come from revenues received from other students who do not withdraw, because, after the term begins, there is no market for the empty desk or dormitory room. This is further complicated by the situation at state schools where the student may pay only 25% of the cost of his education. If the student choses to withdraw, is his tuition refund the 25% he paid or is it a return to the student of monies appropriated by the state legislature or other sources? Finally, we note that there are a few minor technical inaccuracies such as the nature of supervision between accreditation visits, candidacy status, etc. which do not enter strongly into the recommendations and thus are not discussed here.

In conclusion, let us turn to the recommendations of the report. In general, we concur that the Commissioner should use his limit, suspend, and terminate authority to curb abuses by schools in the administration of student financial aid. We believe the new regulations published in 45 CFR 168.71 will accomplish this. Further, it may be desirable to have more specific requirements for good standing and satisfactory progress in the specific financial aid programs, similar to the VA programs. However, we feel it should be made clear, that these recommendations are directed to the program officers in the Bureau of Student Financial Assistance and are not part of the general eligibility procedures of DEAE. If such policies as admissions, grading, refunds, etc. were to become Federally defined characteristics of an institution and were considered by DEAE in determining eligibility to apply to respective OE programs, we would have a serious, dangerous, untenable, and illegal intrusion by government into the post-secondary educational affairs of this country. Indeed, the General Education Provisions Act (20 U.S.C. 1232) prohibits such Federal control of education. Next, the report notes that programmatic accreditation plays little role in the eligibility process. Thus GAO could legitimately recommend that DEAE restrict its "open door" policy and concentrate its resources on institutional accreditation.

To answer the question posed by the title of the report, the DEAE eligibility process gives the assurance that schools permitted to apply for certain OE funds have those characteristics which indicate only that they are rationally organized and reasonably equipped to legally fulfill their own stated educational mission. Additional requirements which a school must meet in order to participate in a particular OE program are the responsibility of the respective program officials and may vary from program to program. If an institution desires to use its eligibility to participate in OE programs, then it must expect to assume--on its own--additional responsibilities for the stewardship of Federal funds.

APPENDIX II

We look forward to your final report and we hope our comments will assist you in focusing your recommendations to the best benefit of the student consumer and the Federal Government. If we may provide further information, please feel free to call.

Sincerely yours,

Kenneth E. Young
President

Attachment

GAO note 2: Deleted attachment is related to matters in the draft report which have been revised in the final report.

LISTING OF SELECTED FEDERAL PROGRAMS WHICH RELY PARTLY ON THE ELIGIBILITY PROCESS

The following programs were identified as relying on the Commissioner of Education's list of nationally recognized accrediting associations but is not necessarily all inclusive. Sources included interviews with some responsible agency personnel, OE listings, the 1977 Catalog of Federal Domestic Assistance Programs, and applicable Federal laws and their respective definitions of eligible schools. We also note that other Federal programs rely on accreditation but not necessarily on the Commissioner's list.

Catalog number	Program
13.342	Health Professions-Student Loans, Health Resources Administration, Public Health Service
13.364	Nursing Student Loans, Public Health Service
13.381	Health Professions-Financial Distress Grants, Health Resources Administration, Public Health Service
13.386	Nursing Capitation Grants, Health Resources Administration, Public Health Service
13.406	College Library Resources, OE
13.418	Supplemental Educational Opportunity Grants, OE
13.434	Foreign Language and Area Studies-Fellowship (National Defense Foreign Language Fellowship Program), OE
13.435	Foreign Language and Area Studies-Centers Research, OE
13.436	Foreign Language and Area Studies Research, OE
13.450	Handicapped Regional Resource Centers, OE

Calalog number	Program
13.451	Handicapped Personnel Preparation (Handicapped Teacher, Physical Education and/or Recreation Training), OE
13.454	Higher Education-Strengthening Developing Institutions, OE
13.460	Higher Education Act Insured Loan (Guaranteed Student Loan Program), OE
13.463	Higher Education Work Study (College Work Study Program), OE
13.468	Library Training Grants (Library Institute and Fellowship Program), OE
13.469	National Defense Education Act, Loans to Institutions, OE
13.470	National Direct Student Loan Cancellations, OE
13.471	National Direct Student Loans, OE
13.475	Library Research and Demonstration, OE
13.482	Special Services for Disadvantaged Students, OE
13.488	Talent Search, OE
13.491	University Community Service-Grants to States (Community Service and Continuing Education Program), OE
13.492	Upward Bound, OE
13.510	Higher Education-Cooperative Education, OE
13.518	Higher Educational Instructional Equipment (Instructional Equipment Grants Program), OE
13.539	Basic Educational Opportunity Grant Program, OE

Catalog number	Program
13.540	Higher Education-Veterans Cost of Instruction Program, OE
13.548	Grants to States for State Student Incentives, OE
13.555	Public Service Education-Institutional Grants and Fellowships (Public Service Education Program), OE
13.557	University Community Service-Special Projects, OE
13.560	Regional Education Programs for Deaf and Other Handicapped Persons, OE
13.564	Consumers Education, OE
64.111	Veterans Educational Assistance, VA
64.117	Dependents Educational Assistance, Department of Veterans Benefits, VA
Not applicable	Social Security Students' Benefits to Dependents of Deceased or Disabled Family Member(s) Attending Institutions of Higher Education, Social Security Administration

APPENDIX IV

CRITERIA AND PROCEDURES FOR RECOGNITION OF NATIONALLY RECOGNIZED ACCREDITING AGENCIES AND ASSOCIATIONS

The following information concerning the criteria and procedures for recognizing national accrediting bodies was published in the FEDERAL REGISTER on August 20, 1974, under Title 45—Public Welfare, Chapter I—Office of Education, Department of Health, Education, and Welfare.

Part 149—Commissioner's Recognition Procedures for National Accrediting Bodies and State Agencies

Subpart A—Criteria for Nationally Recognized Accrediting Agencies and Associations

Sec.
149.1 Scope.
149.2 Definitions.
149.3 Publication of list.
149.4 Inclusion on list
149.5 Initial recognition; renewal of recognition.
149.6 Criteria.

Authority: 20 U.S.C. 403(b), 1085(b), 1141(a), 1248(11); 42 U.S.C. 293a(b), 295f-3(b), 295h-4(1)(D), 298(f); 8 U.S.C. 1101(a)(15)(F); 12 U.S.C. 1749c(b); 38 U.S.C. 1775(a).

Subpart A—Criteria for Nationally Recognized Accrediting Agencies and Associations

§ 149.1 Scope.

Accreditation of institutions or programs of institutions by agencies or associations nationally recognized by the U.S. Commissioner of Education is a prerequisite to the eligibility for Federal financial assistance of institutions and of the students attending such institutions under a wide variety of federally supported programs. The recognition of such agencies is reflected in lists published by the Commissioner in the FEDERAL REGISTER. Inclusion on such list is dependent upon the Commissioner's finding that any such recognized agency or association is reliable authority as to the quality of training offered. The Commissioner's recognition is granted and the agency or association is included on the list only when it meets the criteria established by the Commissioner and set forth in § 149.6 of this part.
(20 U.S.C. 1141(a))

§ 149.2 Definitions.

"Accrediting" means the process whereby an agency or association grants public recognition to a school, institute, college, university, or specialized program of study which meets certain established qualifications and educational standards, as determined through initial and periodic evaluations. The essential purpose of the accreditation process is to provide a professional judgment as to the quality of the educational institution or program(s) offered, and to encourage continual improvement thereof;

"Adverse accrediting action" means denial of accreditation or preaccreditation status or the withdrawal of accreditation or preaccreditation status;

"Agency or association" means a corporation, association, or other legal entity or unit thereof which has the principal responsibility for carrying out the accrediting function;

"Institutional accreditation" applies to the total institution and signifies that the institution as a whole is achieving its educational objectives satisfactorily;

"Regional" means the conduct of institutional accreditation in three or more States;

"Representatives of the public" means representatives who are laymen in the sense that they are not educators in, or members of the profession for which the students are being prepared, nor in any way are directly related to the institutions or programs being evaluated;

"States" includes the District of Columbia and territories and possessions of the United States.
(20 U.S.C. 1141(a))

§ 149.3 Publication of list.

Periodically the U.S. Commissioner of Education will publish a list in the FEDERAL REGISTER of the accrediting agencies and associations which he determines to be reliable authorities as to the quality of training offered by educational institutions or programs, either in a geographical area or in a specialized field. The general scope of the recognition granted to each of the listed accrediting bodies will also be listed.
(20 U.S.C. 1141(a))

§ 149.4 Inclusion on list.

Any accrediting agency or association which desires to be listed by the Commissioner as meeting the criteria set forth in § 149.6 should apply in writing to the Director, Division of Eligibility and Agency Evaluation, Bureau of Postsecondary Education, Office of Education, Washington, D.C. 20202.
(20 U.S.C. 1141(a))

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§ 149.5 Initial recognition and renewal of recognition.

(a) For initial recognition and for renewal of recognition, the accrediting agency or association will furnish information establishing its compliance with the criteria set forth in § 149.6. This information may be supplemented by personal interviews or by review of the agency's facilities, records, personnel qualifications, and administrative management. Each agency listed will be reevaluated by the Commissioner at his discretion, but at least once every four years. No adverse decision will become final without affording opportunity for a hearing.

(b) In view of the criteria set forth in § 149.6, it is unlikely that more than one association or agency will qualify for recognition (1) in a defined geographical area of jurisdiction or (2) in a defined field of program specialization within secondary or postsecondary education. If two or more separate organizations in a defined field do seek recognition, they will both be expected to demonstrate need for their activities and show that their accrediting activities do not unduly disrupt the affected institution or program.
(20 U.S.C. 1141(a))

§ 149.6 Criteria.

In requesting designation by the U.S. Commissioner of Education as a nationally recognized accrediting agency or association, an accrediting agency or association must show:

(a) Functional aspects. Its functional aspects will be demonstrated by:

(1) Its scope of operations:

(i) The agency or association is national or regional in its scope of operations.

(ii) The agency or association clearly defines in its charter, by-laws or accrediting standards the scope of its activities, including the geographical area and the types and levels of institutions or programs covered.

(2) Its organization:

(i) The agency or association has the administrative personnel and procedures to carry out its operations in a timely and effective manner.

(ii) The agency or association defines its fiscal needs, manages its expenditures, and has adequate financial resources to carry out its operations, as shown by an externally audited financial statement.

(iii) The agency's or association's fees, if any, for the accreditation process do not exceed the reasonable cost of sustaining and improving the process.

(iv) The agency or association uses competent and knowledgeable persons, qualified by experience and training, and selects such persons in accordance with nondiscriminatory practices: (A) to participate on visiting evaluation teams; (B) to engage in consultative services for the evaluation and accreditation process; and (C) to serve on policy and decision-making bodies.

(v) The agency or association includes on each visiting evaluation team at least one person who is not a member of its policy or decision-making body or its administrative staff.

(3) Its procedures:

(i) The agency or association maintains clear definitions of each level of accreditation status and has clearly written procedures for granting, denying, reaffirming, revoking, and reinstating such accredited statuses.

(ii) The agency or association, if it has developed a preaccreditation status, provides for the application of criteria and procedures that are related in an appropriate manner to those employed for accreditation.

(iii) The agency or association requires, as an integral part of its accrediting process, institutional or program self-analysis and an on-site review by a visiting team.

(A) The self-analysis shall be a qualitative assessment of the strengths and limitations of the institution or program, including the achievement of institutional or program objectives, and should involve a representative portion of the institution's administrative staff, teaching faculty, students, governing body, and other appropriate constituencies.

(B) The agency or association provides written and consultative guidance to the institution or program and to the visiting team.

(b) Responsibility. Its responsibility will be demonstrated by the way in which –

(1) Its accreditation in the field in which it operates serves clearly identified needs, as follows:

(i) The agency's or association's accreditation

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program takes into account the rights, responsibilities, and interests of students, the general public, the academic, professional, or occupational fields involved, and institutions.

(ii) The agency's or association's purposes and objectives are clearly defined in its charter, by-laws, or accrediting standards.

(2) It is responsive to the public interest, in that:

(i) The agency or association includes representatives of the public in its policy and decision-making bodies, or in an advisory or consultative capacity that assures attention by the policy and decision-making bodies.

(ii) The agency or association publishes or otherwise makes publicly available:

(A) The standards by which institutions or programs are evaluated;

(B) The procedures utilized in arriving at decisions regarding the accreditation status of an institution or program;

(C) The current accreditation status of institutions or programs and the date of the next currently scheduled review or reconsideration of accreditation;

(D) The names and affiliations of members of its policy and decision-making bodies, and the name(s) of its principal administrative personnel;

(E) A description of the ownership, control and type of legal organization of the agency or association.

(iii) The agency or association provides advance notice of proposed or revised standards to all persons, institutions, and organizations significantly affected by its accrediting process, and provides such persons, institutions and organizations adequate opportunity to comment on such standards prior to their adoption.

(iv) The agency or association has written procedures for the review of complaints pertaining to institutional or program quality, as these relate to the agency's standards and demonstrates that such procedures are adequate to provide timely treatment of such complaints in a manner that is fair and equitable to the complainant and to the institution or program.

(3) It assures due process in its accrediting procedures, as demonstrated in part by:

(i) Affording initial evaluation of the institutions or programs only when the chief executive officer of the institution applies for accreditation of the institution or any of its programs;

(ii) Providing for adequate discussion during an on-site visit between the visiting team and the faculty, administrative staff, students, and other appropriate persons;

(iii) Furnishing, as a result of an evaluation visit, a written report to the institution or program commenting on areas of strengths, areas needing improvement and, when appropriate, suggesting means of improvement and including specific areas, if any, where the institution or program may not be in compliance with the agency's standards;

(iv) Providing the chief executive officer of the institution or program with an opportunity to comment upon the written report and to file supplemental materials pertinent to the facts and conclusions in the written report of the visiting team before the accrediting agency or association takes action on the report;

(v) Evaluating, when appropriate, the report of the visiting team in the presence of a member of the team, preferably the chairman;

(vi) Providing for the withdrawal of accreditation only for cause, after review, or when the institution or program does not permit re-evaluation, after due notice;

(vii) Providing the chief executive officer of the institution with a specific statement of reasons for any adverse accrediting action, and notice of the right to appeal such action;

(viii) Establishing and implementing published rules of procedure regarding appeals which will provide for:

(A) No change in the accreditation status of the institution or program pending disposition of an appeal;

(B) Right to a hearing before the appeal body;

(C) Supplying the chief executive officer of the institution with a written decision of the appeal body, including a statement of specifics.

(4) It has demonstrated capability and willingness to foster ethical practices among the institutions or programs which it accredits, including equitable student tuition refunds and nondiscriminatory practices in admissions and employment.

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(5) It maintains a program of evaluation of its educational standards designed to assess their validity and reliability.

(6) It secures sufficient qualitative information regarding the institution or program which shows an on-going program of evaluation of outputs consistent with the educational goals of the institution or program.

(7) It encourages experimental and innovative programs to the extent that these are conceived and implemented in a manner which ensures the quality and integrity of the institution or program.

(8) It accredits only those institutions or programs which meet its published standards, and demonstrates that its standards, policies, and procedures are fairly applied and that its evaluations are conducted and decisions rendered under conditions that assure an impartial and objective judgment.

(9) It reevaluates at reasonable intervals institutions or programs which it has accredited.

(10) It requires that any reference to its accreditation of accredited institutions and programs clearly specifies the areas and levels for which accreditation has been received.

(c) Reliability. Its reliability is demonstrated by –

(1) Acceptance throughout the United States of its policies, evaluation methods, and decisions by educators, educational institutions, licensing bodies, practitioners, and employers;

(2) Regular review of its standards, policies and procedures, in order that the evaluative process shall support constructive analysis, emphasize factors of critical importance, and reflect the educational and training needs of the student;

(3) Not less than two years' experience as an accrediting agency or association;

(4) Reflection in the composition of its policy and decision-making bodies of the community of interests directly affected by the scope of its accreditation.

(d) Autonomous. Its autonomy is demonstrated by evidence that –

(1) It performs no function that would be inconsistent with the formation of an independent judgment of the quality of an educational program or institution;

(2) It provides in its operating procedures against conflict of interest in the rendering of its judgments and decisions.

(20 U.S.C. 1141(a))

APPENDIX V

RESPONSIBILITY CONFERRED ON THE COMISSIONER OF EDUCATION TO LIST OR APPROVE NATIONALLY RECOGNIZED ACCREDITING ASSOCIATIONS 1/

I. Laws Relating to Programs Administered by the Commissioner of Education

In each of the following, the term "institution of higher education" is defined as one accredited by a nationally recognized accrediting agency approved by the Commissioner. He is empowered to approve such accrediting agencies by the following authorizing provision:

> "For purposes of this (subsection), the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered."

1. 20 U.S.C. 403(b). This provision defines eligible institution of higher education for purposes of the National Defense Education Act of 1958. (Pub.L. 85-564 §103).

2. 20 U.S.C. 682(b). This provision defines eligible institution of higher education under the Act setting up the National Technical Institute for the Deaf. (Pub.L. 89-36 §3(b)).

3. 20 U.S.C. 881(e)(5). This provision defines eligible institution of higher education for purposes of the Elementary and Secondary Education Act. (Pub.L. 89-10, as amended, §801).

4. 20 U.S.C. 1085(b). This provision defines eligible institution of higher education for purposes of the insured student loan program under Title IV-B of the Higher Education Act of 1965. (Pub.L. 89-329), as amended, §435(b)).

5. 20 U.S.C. 1085(c). This provision defines eligible vocational school for purposes of the insured student loan program. It was added to Title IV-B of the Higher Education Act of 1965 by Pub.L. 90-575. (Pub.L. 89-329, as amended §435(c)).

6. 20 U.S.C. 1088(b)(3). This provision defines eligible proprietary institution of higher education for purposes of all programs of Title IV of the Higher Education Act of 1965, except the institutional assistance provision and the insured loan program. (Pub.L. 89-329, as amended §491(b)(3)).

1/Prepared by OE's general counsel.

7. 20 U.S.C. 1141(a). This provision defines eligible institution of higher education for purposes of the Higher Education Act. (Pub.L. 89-329, as amended §1201(a)).

8. 20 U.S.C. 1401(11)(E). This provision defines institution of higher education for purposes of the Education for the Handicapped Act. (Pub.L. 91-230 §602).

9. 20 U.S.C. 1619(5)(E). This provision defines institution of higher education for purposes of the Emergency School Aid Act. (Pub.L. 92-318 §720(b)(E)).

10. 20 U.S.C. 2461(21). This provision defines "private vocational training institution" under the Vocational Education Act. (Pub.L. 94-482, §202(a)).

II. Laws Relating to Health Manpower. Some of the following provisions refer to "recognized bodies approved for such purposes by the Commissioner of Education". The remainder carry a provision similar to that in the education laws, that--

> "For purposes of this subsection the Commission shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered."

1. 42 U.S.C. 293a(b)(1). This provision defines eligible institution for purposes of grants for construction of teaching facilities for medical, dental, and other health personnel. (Pub.L. 88-129 §2(b)).

2. 42 U.S.C. 294j(2). This provision defines eligible institution for the purposes of the Federal Program of Insured Loans to Graduate Students in Health Professions Schools. (Pub. L. 94-484, §401(b), amending part C of Title VII of the Public Health Service Act).

3. 42 U.S.C. 294s(a). This provision defines eligible accredited program for the award of traineeships to students in graduate schools other than accredited schools of public health. (Pub. L. 94-484, §408, amending part C of Title VII of the Public Health Service Act).

4. 42 U.S.C 295f-2(b). This provision defines eligible institution for purposes of grants under the Health Professions Education Act. (Pub.L. 89-290 §2(a)).

5. 42 U.S.C. 295g-8(g)(2). This provision authorizes grants for development of new schools of medicine. (Pub.L. 94-484, §801, amending part F of Title VII of the Public Health Service Act).

6. 42 U.S.C. 295h-1(b)(2). This provision governs the award of grants to accredited schools of public health and to public or nonprofit educational entities (including graduate schools of social work) to establish or expand accredited programs in specified fields (Pub.L. 94-484, §701, amending Part G of Title VII of the Public Health Service Act).

7. 42 U.S.C. 295h-4(2)(D). This provision defines eligible institution for purposes of the Allied Health Professions Act. (Pub.L. 94-484, §701, amending part G of Title VII of the Public Health Service Act).

8. 42 U.S.C. 298b(f). This provision defines accredited program under the Nurse Training Act. (Pub.L. 88-581 §2).

III. Immigration and Nationality Act

1. 8 U.S.C. 1101(a)(15)(F). This provision governs visas for alien students seeking to enter the United States to study at a recognized educational institution. (Pub.L. 82-414 §101, amended by Pub.L. 94-484, §601(b)).

2. 8 U.S.C. 1182(j)(1). This provision governs visas for aliens seeking graduate medical education or training in the United States. (Pub.L. 94-484, §601(d)).

IV. Housing Act of 1950

12 U.S.C. 1749c(b). Eligible institution for purposes of the college housing amendment to the Housing Act is one accredited by a nationally recognized accrediting agency or association. (Pub.L. 81-475, as amended, §404).

V. Veterans' Administration

1. 38 U.S.C. 1775(a). This provision states that VA approved courses shall include courses that have been accredited and approved by a nationally recognized accrediting agency or association and states further that the Commissioner of Education is to publish a list of such agencies he finds to be reliable authority as to the quality of training offered. (Pub.L. 82-550, superseded by P.L. 88-126 §1).

2. 38 U.S.C. 1652(g). This provision, for purposes of veterans educational assistance defines the term "standard college degree," with reference to recognized accrediting agencies. It indicates that "the accrediting agency must be one recognized by the Commissioner of Education under the provisions of section 1775." (Pub.L. 82-550, amended by Pub.L. 94-502, §202).

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VI. State Technical Services

15 U.S.C. 1352(c). This provision defines qualified institutions for purposes of grants under the State Technical Services Act and notes that--

> "For purposes of this subsection the United States Commissioner of Education shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of science, engineering, or business education or training offered." (Pub.L. 89-182 §2).

VII. State Postsecondary Vocational Education Agencies

20 U.S.C. 1088f-1(d). This provision authorizes the Commissioner to publish a list of approved State accrediting agencies in the field of state postsecondary vocational education. (Pub.L. 94-482, §133, adding §497A to the Higher Education Act of 1965, as amended).

Prepared by: Office of General Counsel
U.S. Office of Education
March 8, 1978

APPENDIX VI

LIST OF SELECTED REPORTS AND STUDIES

CONCERNING ISSUES DISCUSSED IN THIS REPORT

"Approaches to State Licensing of Private Degree-Granting Institutions;" The Airlie Conference Report, Washington, D.C.; Postsecondary Education Convening Authority of the Institute for Educational Leadership of George Washington University, Nov. 1975.

"'Proprietary Vocational and Home Study Schools'--Final Report to the Federal Trade Commission and Proposed Trade Regulation Rule," Bureau of Consumer Protection, Federal Trade Commission, Sept. 1976.

"Toward a Federal Strategy for Protection of the Consumer of Education," Federal Interagency Committee on Education, Subcommittee on Educational Consumer Protection, Washington, D.C.; Dec. 1974.

"A Study of State Oversight in Postsecondary Education," Jung, Steven M., et. al. Palo Alto, California: The American Institutes for Research, Dec. 1977.

"Improving the Consumer Protection Function in Postsecondary Education," Jung, Steven M., et. al. Palo Alto, California: The American Institutes for Research, Oct. 1976.

"Gatekeepers in Education: A Report on Institutional Licensing," National Advisory Council on Education Professions Development, Washington, D.C.; Apr. 1975.

"Private Accreditation and Public Eligibility," Orlans, Harold, et. al. Washington, D.C., Brookings Institution and National Academy of Public Administration Foundation, Oct. 1974.

"Report of the Presiding Officer," William Dixon, Proposed Trade Regulation Rule: Advertising, Disclosure, Cooling-off and Refund Requirements for Proprietary Vocational and Home Study Schools, Federal Trade Commission, Sept. 1976.

"Better Information for Student Choice: Report of A National Task Force," The National Task Force on Better Information for Student Choice, The Fund for the Improvement of Post-secondary Education, Washington, D.C., Mar. 1977.

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"Recommendations for Improved Management of the Federal Student Aid Programs," The Student Financial Assistance Study Group, U.S. Department of Health, Education, and Welfare. June 1977.

"Accreditation and Institutional Eligibility," Trivett, David A. Washington, D.C., ERIC Clearinghouse on Higher Education, The George Washington University, 1976.

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